

provided in Section 13.1 hereof (or, if the default involves health, safety or sanitation issues, County may by written notice reduce such sixty (60) day period to thirty (30) days, such 60 or 30 day period, as applicable, being referred to herein as the "initial cure period"), provided, however, if the curing of such default reasonably requires activity over a longer period of time, the initial cure period shall be extended for such additional time as may be reasonably necessary to cure such default, so long as the Encumbrance Holder or Major Sublessee commences a cure within the initial cure period and thereafter continues to use due diligence to perform whatever acts may be required to cure the particular default. In the event Lessee commences to cure the default within Lessee's applicable cure period and thereafter fails or ceases to pursue the cure with due diligence, the Encumbrance Holder's and Major Sublessee's initial cure period shall commence upon the later of the end of Lessee's cure period or the date upon which County notifies the Encumbrance Holder and/or Major Sublessee that Lessee has failed or ceased to cure the default with due diligence.

(2) With respect to an Encumbrance Holder, but not a Major Sublessee, if before the expiration of the initial cure period, said Encumbrance Holder notifies County of its intent to commence foreclosure of its interest; and within sixty (60) days after the mailing of said notice, said Encumbrance Holder (i) actually commences foreclosure proceedings and prosecutes the same thereafter with due diligence, the initial cure period shall be extended by the time necessary to complete such foreclosure proceedings, or (ii) if said Encumbrance Holder is prevented from commencing or continuing foreclosure proceedings by any bankruptcy stay, or any order, judgment or decree of any court or regulatory body of competent jurisdiction, and said Encumbrance Holder diligently seeks release from or reversal of such stay, order, judgment or decree, the initial cure period shall be extended by the time necessary to obtain such release or reversal and thereafter to complete such foreclosure proceedings. Within thirty (30) days after a Foreclosure Transfer is completed, the Foreclosure Transferee shall (if such default has not been cured) commence to cure, remedy or correct the default and thereafter diligently pursue such cure until completed in the same manner as provided in subsection (a) above. The Encumbrance Holder shall have the right to terminate its foreclosure proceeding, and the extension of any relevant cure period shall lapse, in the event of a cure by Lessee.

12.7 New Lease.

12.7.1 Obligation to Enter Into New Lease. In the event that this Lease is terminated by reasons of bankruptcy, assignment for the benefit of creditors, insolvency or any similar proceedings, operation of law, an Excluded Default or other event beyond the reasonable ability of an Encumbrance Holder to cure or remedy, or if the Lease otherwise terminates for any reason, County shall, upon the written request of any Encumbrance Holder with respect to Lessee's entire leasehold estate under this Lease or all of the Ownership Interests in Lessee (according to the priority described below if there are multiple Encumbrance Holders), enter into a new lease (which shall be effective as of the date of termination of this Lease) with the Encumbrance Holder or an affiliate thereof

for the then remaining Term of this Lease on the same terms and conditions as shall then be contained in this Lease, provided that the Encumbrance Holder cures all then existing monetary defaults under this Lease, and agrees to commence a cure of all then existing non-monetary Events of Default within sixty (60) days after the new lease is entered into, and thereafter diligently pursues such cure until completion. In no event, however, shall the Encumbrance Holder be obligated to cure any Excluded Defaults. County shall notify the most junior Encumbrance Holder of a termination described in this Section 12.7 within thirty (30) days after the occurrence of such termination, which notice shall state (i) that the Lease has terminated in accordance with Section 12.7 of this Lease, and (ii) that such Encumbrance Holder has sixty (60) days following receipt of such notice within which to exercise its right to a new lease under this Section 12.7, or else it will lose such right. An Encumbrance Holder's election shall be made by giving County written notice of such election within sixty (60) days after such Encumbrance Holder has received the above-described written notice from the County. Within a reasonable period after request therefor, County shall execute and return to the Encumbrance Holder any and all documents reasonably necessary to secure or evidence the Encumbrance Holder's interest in the new lease or the Premises. From and after the effective date of the new lease, the Encumbrance Holder (or its affiliate) shall have the same rights to a single transfer that are provided in subsection 12.2.3 above, and shall enjoy all of the other rights and protections that are provided to a Foreclosure Transferee in this Article 12. Any other subsequent transfer or assignment of such new lease shall be subject to all of the requirements of Article 11 of this Lease. If there are multiple Encumbrance Holders, this right shall inure to the most junior Encumbrance Holder in order of priority; provided, however, if such junior Encumbrance Holder shall accept the new lease, the priority of each of the more senior Encumbrance Holders shall be restored in accordance with all terms and conditions of such Encumbrances(s). If a junior Encumbrance Holder does not elect to accept the new lease within thirty (30) days of receipt of notice from County, the right to enter into a new lease shall be provided to the next most junior Encumbrance Holder, under the terms and conditions described herein, until an Encumbrance Holder either elects to accept a new lease, or no Encumbrance Holder so elects.

12.7.2 Priority of New Lease. The new lease made pursuant to this Section 12.7 shall be prior to any mortgage or other lien, charge or encumbrance on County's fee interest in the Premises, and any future fee mortgagee or other future holder of any lien on the fee interest in the Premises is hereby given notice of the provisions hereof.

12.8 Holding of Funds. Any Encumbrance Holder with respect to Lessee's entire leasehold interest in this Lease or all of the Ownership Interests in Lessee that is an Institutional Lender shall have the right to hold and control the disbursement of (i) any insurance or condemnation proceeds to which Lessee is entitled under this Lease and that are required by the terms of this Lease to be applied to restoration of the improvements on the Premises (provided that such funds shall be used for such restoration in accordance with the requirements of the Lease), and (ii) any funds required to be held in the Renovation Fund (provided that such funds shall be used for the purposes required by this Lease). If more than one such Encumbrance Holder desires to exercise the foregoing right, the most senior Encumbrance Holder shall have priority in the exercise of such right.

12.9 Participation in Certain Proceedings and Decisions. Any Encumbrance Holder shall have the right to intervene and become a party in any arbitration, litigation, condemnation or other proceeding affecting this Lease. Lessee's right to make any election or decision under this Lease with respect to any condemnation settlement, insurance settlement or restoration of the Premises following a casualty or condemnation shall be subject to the prior written approval of each then existing Encumbrance Holder.

12.10 Fee Mortgages and Encumbrances. Any mortgage, deed of trust or other similar encumbrance granted by County upon its fee interest in the Premises shall be subject and subordinate to all of the provisions of this Lease and to all Encumbrances. County shall require each such fee encumbrance holder to confirm the same in writing (in a form reasonably approved by each Encumbrance Holder or its title insurer) as a condition to granting such encumbrance, although the foregoing subordination shall be automatic and self-executing whether or not such written confirmation is obtained.

12.11 No Merger. Without the written consent of each Encumbrance Holder, the leasehold interest created by this Lease shall not merge with the fee interest in all or any portion of the Premises, notwithstanding that the fee and leasehold interests are held at any time by the same person or entity.

12.12 Rights of Encumbrance Holders With Respect to Reversion. As used in this Section 12.12, the "Reversion" refers to the automatic amendment of this Lease described in Section 5.1 whereby the terms and conditions of this Lease are automatically amended and revert back to the terms and provisions of the Existing Lease, and a "Reversion Condition" refers to any of the conditions under which the Reversion will occur, namely (i) the failure of Lessee to Substantially Commence Construction of the Redevelopment Work on or before the Required Construction Commencement Date, or (ii) the failure of Lessee to substantially complete the Redevelopment Work on or before the Required Construction Completion Date (as such date may be extended pursuant to Sections 5.6 or 5.7). Notwithstanding anything in Section 5.1 or any other provision of this Lease to the contrary, so long as an Encumbrance Holder exists with respect to Lessee's entire leasehold interest in this Lease or all of the Ownership Interests in Lessee, the Reversion shall not occur unless and until (i) the County has given written notice of the occurrence of the Reversion Condition to each such Encumbrance Holder in accordance with subsection 12.6.2 (which notice shall describe the Reversion Condition that has occurred, and shall include the following statement in all capital and bold letters: **"YOUR FAILURE TO COMMENCE A CURE OF THE DEFAULT DESCRIBE IN THIS NOTICE WITHIN 60 DAYS OF YOUR RECEIPT OF THIS NOTICE, AND TO THEREAFTER PURSUE SUCH CURE TO COMPLETION IN ACCORDANCE WITH THE PROVISIONS OF SUBSECTION 12.6.3(b) OF THE LEASE APPLICABLE TO NONMONETARY DEFAULTS, WILL RESULT IN AN AUTOMATIC AMENDMENT AND REVERSION OF THE TERMS OF THE LEASE BACK TO THE TERMS OF A PRIOR LEASE, AS MORE PARTICULARLY DESCRIBED IN SECTION 5.1 OF THE LEASE"**), and (ii) no such Encumbrance Holder commences a cure of the default within 60 days of its receipt of such notice and thereafter pursues such cure to completion in accordance with the provisions of subsection 12.6.3(b) of the Lease applicable to nonmonetary defaults. Further, in the event that a Reversion occurs, such Reversion shall be subject to the "new lease" provisions of Section 12.7 of the Lease (and in such event the Reversion shall be deemed a "termination" of this Lease

solely for purposes of Section 12.7 and the "new lease" to be entered into pursuant to Section 12.7 shall mean a new lease on the same terms as this Lease, not the Existing Lease).

12.13 Acceleration of Extension Fee. So long as (i) no Event of Default exists based on nonpayment of an individual Extension Payment (even if any other Event of Default exists that is not based on nonpayment of an individual Extension Payment), or (ii) if an Event of Default exists based on nonpayment of an individual Extension Payment, an Encumbrance Holder, Foreclosure Transferee or the single subsequent transferee of a Foreclosure Transferee pursuant to subsection 12.2.3 cures such Event of Default by paying to County all past-due individual Extension Payments together with any default interest and/or Late Fees that may be owing thereon; then County shall not declare the entire remaining unpaid Extension Fee immediately due and payable, or, if County has previously declared the entire remaining unpaid Extension Fee immediately due and payable, County shall rescind such acceleration and permit the reinstatement of the original payment terms of the Extension Fee (i.e., by annual Extension Payments).

[12.14 Supplemental Agreement With Initial Encumbrance Holders. County, Lessee, and the initial Encumbrance Holder(s) of this Lease [i.e., (i) _____ (holder of an Encumbrance which encumbers Lessee's leasehold interests under this Lease) and (ii) _____ (holder of an Encumbrance which encumbers all of the Ownership Interests in Lessee)], have entered into a Ground Lessor's Consent and Agreement of substantially even date with this Lease which will be recorded in the Official Records of Los Angeles County, containing (among other things) provisions that alter and supplement certain provisions of this Article 12 and other provisions of the Lease (the "Ground Lessor's Consent and Agreement"). For so long as such initial Encumbrances are outstanding, this Article 12 (and any other provisions of this Lease, to the extent applicable) shall be subject to the provisions of the Ground Lessor's Consent and Agreement, and the provisions of the Ground Lessor's Consent and Agreement shall govern in the event of any conflicts with this Lease.]

13. DEFAULT.

13.1 Events of Default. The following are deemed to be "Events of Default" hereunder:

13.1.1 Monetary Defaults. The failure of Lessee to pay the rentals due, or make any other monetary payments required under this Lease (including, without limitation, Extension Payments or deposits to the Renovation Fund or Capital Reserve Fund), within ten (10) days after written notice that said payments are overdue. Lessee may cure such nonpayment by paying the amount overdue, with interest thereon and the applicable Late Fee, if any, within such ten (10) day period.

13.1.2 Maintenance of Security Deposit. The failure of Lessee to maintain and/or replenish the Security Deposit required pursuant to Article 7 of this Lease if not cured within five (5) days after written notice of such failure.

13.1.3 Failure to Perform Other Obligations. The failure of Lessee to keep, perform, and observe any and all other promises, covenants, conditions and agreements set forth in this Lease, including without limitation the obligation to maintain adequate accounting and financial records, within thirty five (35) days after written notice of Lessee's failure to perform from Director; provided, however, that where Lessee's performance of such covenant, condition or agreement is not reasonably susceptible of completion within such thirty five (35) day period and Lessee has in good faith commenced and is continuing to perform the acts necessary to perform such covenant, condition or agreement within such thirty five (35) day period, County will not exercise any remedy available to it hereunder for so long as Lessee uses reasonable due diligence in continuing to pursue to completion the performance such covenant, condition or agreement and so completes performance within a reasonable time. Notwithstanding any contrary provision of this Section 13.1.3, the proviso set forth in the immediately preceding sentence providing for an extension of the cure period beyond thirty five (35) days shall not be applicable to any failure of Lessee to comply with the Required Construction Commencement Date and/or the Required Construction Completion Date set forth in Section 5.1 above (as such dates may be extended pursuant to Sections 5.6 or 5.7, and subject to Section 12.12).

13.1.4 Nonuse of Premises. The abandonment, vacation, or discontinuance of use of the Premises, or any substantial portion thereof, for a period of thirty five (35) days after written notice by Lessor, except when prevented by Force Majeure or when closed for renovations or repairs required or permitted to be made under this Lease.

Any notice required to be given by County pursuant to subsections 13.1.1 through and including 13.1.3 shall be in addition to, and not in lieu of, any notice required under Section 1161 of the California Code of Civil Procedure.

13.2 Limitation on Events of Default. Lessee shall not be considered in default as to any provision of this Lease when such default is the result of or pursuant to, any process, order, or decree of any court or regulatory body of competent jurisdiction, or any other circumstances which are physically impossible to cure provided Lessee uses due diligence in pursuing whatever is required to obtain release from or reversal of such process, order, or decree or is attempting to remedy such other circumstances preventing its performance.

13.3 Remedies. Upon the occurrence of an Event of Default, and subject to the rights of any Encumbrance Holder or Major Sublessee to cure such Event of Default as provided in Section 12.6 hereof, County shall have, in addition to any other remedies in law or equity, the following remedies which are cumulative:

13.3.1 Terminate Lease. County may terminate this Lease by giving Lessee written notice of termination. On the giving of the notice, all Lessee's rights in the Premises and in all Improvements shall terminate. Promptly after notice of termination, Lessee shall surrender and vacate the Premises and all Improvements in broom-clean condition, and County may re-enter and take possession of the Premises and all remaining Improvements and, except as otherwise specifically provided in this Lease, eject all parties in possession or eject some and not others, or eject none. Termination

under this subsection shall not relieve Lessee from the payment of any sum then due to County or from any claim for damages against Lessee as set forth in subsection 13.4.3, or from Lessee's obligation to remove Improvements at County's election in accordance with Article 2. County agrees to use reasonable efforts to mitigate damages, and shall permit such access to the Premises as is reasonably necessary to permit Lessee to comply with its removal obligations.

13.3.2 Keep Lease in Effect. Without terminating this Lease, so long as County does not deprive Lessee of legal possession of the Premises and allows Lessee to assign or sublet subject only to County's rights set forth herein, County may continue this Lease in effect and bring suit from time to time for rent and other sums due, and for Lessee's breach of other covenants and agreements herein. No act by or on behalf of County under this provision shall constitute a termination of this Lease unless County gives Lessee written notice of termination. It is the intention of the parties to incorporate the provisions of California Civil Code Section 1951.4 by means of this provision.

13.3.3 Termination Following Continuance. Even though it may have kept this Lease in effect pursuant to subsection 13.3.2, thereafter County may elect to terminate this Lease and all of Lessee's rights in or to the Premises unless prior to such termination Lessee shall have cured the Event of Default or shall have satisfied the provisions of Section 13.2, hereof. County agrees to use reasonable efforts to mitigate damages.

13.4 Damages. Should County elect to terminate this Lease under the provisions of the foregoing Section, County shall be entitled to recover from Lessee as damages:

13.4.1 Unpaid Rent. The worth, at the time of the award, of the unpaid rent that had been earned at the time of termination of this Lease;

13.4.2 Post-Termination Rent. The worth, at the time of the award, of the unpaid rent that would have been earned under this Lease after the date of termination of this Lease until the date Lessee surrenders possession of the Premises to County; and

13.4.3 Other Amounts. The amounts necessary to compensate County for the sums and other obligations which under the terms of this Lease become due prior to, upon or as a result of the expiration of the Term or sooner termination of this Lease, including without limitation, those amounts of unpaid taxes, insurance premiums and utilities for the time preceding surrender of possession, the cost of removal of rubble, debris and other above-ground Improvements, attorney's fees, court costs, and unpaid Administrative Charges, Net Proceeds Shares and Net Refinancing Proceeds.

13.5 Others' Right to Cure Lessee's Default. County (and any Encumbrance Holder or Major Sublessee, as provided in the last sentence of this section), at any time after Lessee's failure to perform any covenant, condition or agreement contained herein beyond any applicable notice and cure period, may cure such failure at Lessee's cost and expense. If, after delivering to Lessee two (2) or more written notices with respect to any such default, County at any time, by reason of Lessee's continuing failure, pays or expends any sum, Lessee shall immediately pay to

County the lesser of the following amounts: (1) twice the amount expended by County to cure such default and (2) the amount expended by County to cure such default, plus one thousand dollars (\$1,000). To the extent practicable, County shall give any Encumbrance Holders or Major Sublessees the reasonable opportunity to cure Lessee's default prior to County's expenditure of any amounts thereon.

13.6 Default by County. County shall be in default in the performance of any obligation required to be performed by County under this Lease if County has failed to perform such obligation within thirty (30) days after the receipt of notice from Lessee specifying in detail County's failure to perform; provided, however, that if the nature of County's obligation is such that more than thirty (30) days are required for its performance, County shall not be deemed in default if it shall commence such performance within thirty (30) days and thereafter diligently pursues the same to completion. Lessee shall have no rights as a result of any default by County until Lessee gives thirty (30) days notice to any person having a recorded interest pertaining to County's interest in this Lease or the Premises. Such person shall then have the right to cure such default, and County shall not be deemed in default if such person cures such default within thirty (30) days after receipt of notice of the default, or such longer time as may be reasonably necessary to cure the default. Notwithstanding anything to the contrary in this Lease, County's liability to Lessee for damages arising out of or in connection with County's breach of any provision or provisions of this Lease shall not exceed the value of County's equity interest in the Premises and its right to insurance proceeds in connection with the policies required under Article 9 hereof.

14. ACCOUNTING.

14.1 Maintenance of Records and Accounting Method. In order to determine the amount of and provide for the payment of the Annual Minimum Rent, Percentage Rent, Administrative Charge, Net Proceeds Share, Net Refinancing Proceeds and other sums due under this Lease, Lessee and all Sublessees shall at all times during the Term of this Lease, and for thirty six (36) months thereafter, keep, or cause to be kept, locally, to the reasonable satisfaction of Director, true, accurate, and complete records and double-entry books of account for the current and five (5) prior Accounting Years, such records to show all transactions relative to the conduct of operations, and to be supported by data of original entry. Such records shall detail transactions conducted on or from the Premises separate and apart from those in connection with Lessee's (or sublessee's or licensee's, as appropriate) other business operations, if any. With respect to the calculation of Gross Receipts and the preparation of the reports and maintenance of records required herein, Lessee shall utilize either: (i) the accrual method of accounting, or (ii) a modified accrual method of accounting, modified in that (A) delinquent rents due from individual tenants (but not corporate tenants) is not accrued, (B) expenses are accrued on an approximate basis (i.e., materiality) each month during the fiscal year with full accrual treatment for the full fiscal year financial statements, and (C) depreciation is calculated on a tax basis rather than a GAAP basis.

14.2 Cash Registers. To the extent retail sales are conducted on the Premises, or other cash or credit sales of goods or services are conducted, all such sales shall be recorded by means of cash registers or computers which automatically issue a customer's receipt or certify the amount recorded in a sales slip. Said cash registers shall in all cases have locked-in sales totals

and transaction counters which are constantly accumulating and which cannot, in either case, be reset, and in addition thereto, a tape (or other equivalent security mechanism) located within the register on which transaction numbers and sales details are imprinted. Beginning and ending cash register readings shall be made a matter of daily record.

Lessee shall cause to be implemented point of sale systems which can accurately verify all sales for audit purposes and customer review purposes, which system shall be submitted to the Director in advance of installation for his approval, which approval will not be unreasonably withheld or delayed.

Lessee's obligations set forth in this Section 14.2 include Lessee's obligation to insure that Lessee's sublessees, licensees, permittees, concessionaires and any other occupants of any portion of the Premises keep records sufficient to permit County and County's auditors to determine the proper levels of Annual Minimum Rent, Percentage Rent, Administrative Charge, Net Proceeds Share, Net Refinancing Proceeds and other sums due under this Lease.

14.3 Statement; Payment. No later than the fifteenth (15th) day of each calendar month, Lessee shall render to County a detailed statement showing Gross Receipts during the preceding calendar month, together with its calculation of the amount payable to County under Sections 4.2 through 4.8 inclusive, and shall accompany same with remittance of amount so shown to be due.

14.4 Availability of Records for Inspector's Audit. Books of account and records for the then current and five (5) prior Accounting Years as hereinabove required shall be kept or made available at the Premises or at another location within Los Angeles County, and County and other governmental authorities shall have the right at any reasonable times and on reasonable prior notice to examine and audit said books and records, without restriction, for the purpose of determining the accuracy thereof and of the monthly statements of Gross Receipts derived from occupancy of the Premises and the compliance of Lessee with the terms of this Lease and other governmental requirements. This Section 14.4 shall survive the expiration of the Term or other termination of this Lease for thirty six (36) months after such expiration or termination.

14.4.1 Entry by County. Upon at least one (1) business day advance notice, County and its duly authorized representatives or agents may enter upon the Premises at any and all reasonable times during the Term of this Lease for the purpose of determining whether or not Lessee is complying with the terms and conditions hereof, or for any other purpose incidental to the rights of County.

14.5 Cost of Audit. In the event that, for any reason, Lessee does not make available its (or its sublessee's or licensee's) original records and books of account at the Premises or at a location within Los Angeles County, Lessee agrees to pay all expenses incurred by County in conducting any audit at the location where said records and books of account are maintained. In the event that any audit discloses a discrepancy in County's favor of greater than two percent (2%) of the revenue due County for the period audited, then Lessee shall pay County audit contract costs, together with the amount of any identified deficiency, with interest thereon and Late Fee provided by Section 4.5.

14.6 Additional Accounting Methods. Upon written notice from County, County may require the installation of any additional accounting methods or machines which are typically used by major residential and/or boat anchorage management companies and which County reasonably deems necessary if the system then being used by Lessee does not adequately verify sales for audit or customer receipt purposes.

14.7 Accounting Year. The term "Accounting Year" as used herein shall mean each calendar year during the Term.

14.8 Annual Financial Statements. Within six (6) months after the end of each Accounting Year, Lessee shall deliver to County the following financial statements: (i) a balance sheet of Lessee as of the end of such Accounting Year, certified by Lessee's chief financial officer as accurately reflecting Lessee's assets and liabilities, which balance sheet shall not be required to be audited, provided that at County's request not more often than every two years, such balance sheet shall be audited by a Certified Public Accountant who is a member of the American Institute of Certified Public Accountants and is satisfactory to County (a "Qualified CPA"); (ii) a profit and loss statement of Lessee for such Accounting Year, audited and certified by a Qualified CPA; and (iii) a Gross Receipts and Percentage Rent statement for such Accounting Year, audited and certified by a Qualified CPA, which statement shall include a certification and unqualified opinion of such Qualified CPA (1) concerning Lessee's Gross Receipts (including a breakdown by category), and (2) that the correct amount of Percentage Rent has been paid to the County in connection with such Gross Receipts. All financial statements prepared by or on behalf of Lessee shall be prepared in a manner that permits County to determine the financial results of operations in connection with Lessee's activities at, from or relating to the Premises, notwithstanding that Lessee may have income and expenses from other activities unrelated to its activities on the Premises.

14.9 Accounting Obligations of Sublessees. Lessee shall cause all sublessees, licensees, concessionaires and others conducting business operations on or from the Premises to comply with all terms of this Article 14 with respect to the maintenance, form, availability and methodology of accounting records and the delivery to County of audited certified financial statements and unqualified opinions as to Gross Receipts. County shall provide written notice to Lessee of the failure of any sublessee, concessionaire or other person to comply with this subsection after County's discovery of such failure, and provide Lessee with the right to cure any failure to so comply by payment to County of amounts which may be owing to County, as shown on an audit conducted by County, or on an audit supplied by Lessee or such sublessee, concessionaire or other person and accepted by County, or as otherwise determined pursuant to Section 14.10. In such event County shall permit Lessee to subrogate to any right of County to enforce this provision against such sublessee, concessionaire or other person, to the extent Lessee does not have a direct right of enforcement against sublessee, concessionaire or other person.

14.10 Inadequacy of Records. In the event that Lessee or its sublessees, licensees or concessionaires, as appropriate, fails to keep the records required by this Article 14 such that a Certified Public Accountant is unable to issue an unqualified opinion as to Gross Receipts, such failure shall be deemed a breach of this Lease by Lessee. In addition to the other remedies available to County at law or equity as a result of such breach, County may prepare a calculation

of the Percentage Rent payable by Lessee during the period in which the accounting records were inadequately maintained. Such calculation may be based on the past Gross Receipts levels on or from the Premises, the past or present level of Gross Receipts experienced by tenants of comparable leaseholds in Marina del Rey with comparable business operations, or any other method as reasonably determined by Director and shall utilize such methodology as Director deems reasonable. Within five (5) days after receipt of County's determination of Percentage Rent due, if any, Lessee shall pay such Percentage Rent, together with a late fee of six percent (6%) and interest to the date of payment at the Applicable Rate from the date upon which each unpaid installment of Percentage Rent was due, together with County's Actual Cost in connection with the attempted audit of the inadequate records and the reconstruction and estimation of Gross Receipts and the calculation of Percentage Rent due.

15. MISCELLANEOUS.

15.1 Quiet Enjoyment. Lessee, upon performing its obligations hereunder, shall have the quiet and undisturbed possession of the Premises throughout the Term of this Lease, subject, however, to the terms and conditions of this Lease.

15.2 Time is of the Essence. Except as specifically otherwise provided for in this Lease, time is of the essence of this Lease and applies to all times, restrictions, conditions, and limitations contained herein.

15.3 County Costs. Lessee shall promptly reimburse County for the Actual Costs incurred by County in the review, negotiation, preparation and documentation of this Lease and the term sheets and memoranda that preceded it. The parties acknowledge that Lessee has paid all Actual Costs incurred by County through _____, and has on deposit with County the sum of \$ _____ toward costs incurred after _____. County shall deliver to Lessee a report detailing such expenditures (along with invoice summaries or other supporting documentation) within ninety (90) days after the Effective Date.

15.4 County Disclosure and Lessee's Waiver.

15.4.1 Disclosures and Waiver.

15.4.1.1 "AS IS". Lessee acknowledges that it is currently in possession of the Premises and that Lessee or its predecessor-in-interest has continuously occupied and/or managed and operated the Premises since 1963. Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party to this Lease, at the time of the execution of this Lease by Lessee and Lessee hereby represents that it has performed all investigations necessary, including without limitation soils and engineering inspections, in connection with its acceptance of the Premises "AS IS".

15.4.1.2 Lessee acknowledges that it may incur additional engineering and construction costs above and beyond those contemplated by either party to this Lease at the time of the execution hereof and Lessee agrees that, it will make

no demands upon County for any construction, alterations, or any kind of labor that may be necessitated in connection therewith.

15.4.1.3 Lessee hereby waives, withdraws, releases, and relinquishes any and all claims, suits, causes of action (other than a right to terminate as otherwise provided in this Lease), rights of rescission, or charges against County, its officers, agents, employees or volunteers which Lessee now has or may have or asserts in the future which are based upon any defects in the physical condition of the Premises and the soil thereon and thereunder, regardless of whether or not said conditions were known at the time of the execution of this instrument. The waiver and release set forth in this subsection 15.4.1.3 (i) shall not apply to the Excluded Conditions, and (ii) shall not alter the parties' rights and obligations under the Existing Lease with respect to any abandoned wells or other environmental conditions existing on the Premises as of the Effective Date.

15.4.1.4 California Civil Code Section 1542 provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO
CLAIMS WHICH THE CREDITOR DOES NOT KNOW
OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME
OF EXECUTING THE RELEASE, WHICH IF KNOWN
BY HIM MUST HAVE MATERIALLY AFFECTED HIS
SETTLEMENT WITH THE DEBTOR.

By initialing this paragraph, Lessee acknowledges that it has read, is familiar with, and waives the provisions of California Civil Code §1542 set forth above, and agrees to all of the provisions of subsection 15.4.1.3 above.

Lessee's Initials

15.4.2 Right of Offset. Lessee acknowledges that the rent provided for in this Lease has been agreed upon in light of Lessee's construction, maintenance and repair obligations set forth herein, and, notwithstanding anything to the contrary provided in this Lease or by applicable law, Lessee hereby waives any and all rights, if any, to make repairs at the expense of County and to deduct or offset the cost thereof from the Annual Minimum Rent, Monthly Minimum Rent, Percentage Rent or any other sums due County hereunder.

15.5 Holding Over. If Lessee holds over after the expiration of the Term for any cause, with or without the express or implied consent of County, such holding over shall be deemed to be a tenancy from month-to-month only, and shall not constitute a renewal or extension of the Term. During any such holdover period, the Minimum Monthly Rent and Percentage Rent in effect at the end of the Term shall be increased to one hundred twenty five percent (125%) of such previously effective amounts. Such holdover shall otherwise be subject to the same terms, conditions, restrictions and provisions as herein contained. Such holding over

shall include any time employed by Lessee to remove machines, appliances and other equipment during the time periods herein provided for such removal.

Nothing contained herein shall be construed as consent by County to any holding over by Lessee, and County expressly reserves the right to require Lessee to surrender possession of the Premises to County as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Section 15.5 shall not be deemed to limit or constitute a waiver of any other rights or remedies of County provided at law or in equity. If Lessee fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to County accruing therefrom, Lessee shall protect, defend, indemnify and hold County harmless from all losses, costs (including reasonable attorneys' fees), damages, claims and liabilities resulting from such failure, including, without limitation, any claims made by any succeeding tenant arising from such failure to surrender, and any lost profits to County resulting therefrom, provided that County notifies Lessee that Lessee's failure to timely surrender the Premises will cause County to incur such lost profits.

15.6 Waiver of Conditions or Covenants. Except as stated in writing by the waiving party, any waiver by either party of any breach of any one or more of the covenants, conditions, terms, and agreements of this Lease shall not be construed to be a waiver of any subsequent or other breach of the same or of any other covenant, condition, term, or agreement of this Lease, nor shall failure on the part of either party to require exact full and complete compliance with any of the covenants, conditions, terms, or agreements of this Lease be construed as in any manner changing the terms hereof or estopping that party from enforcing the full provisions hereof, nor shall the terms of this Lease be changed or altered in any manner whatsoever other than by written agreement of County and Lessee. No delay, failure, or omission of County to re-enter the Premises or of either party to exercise any right, power, privilege, or option, arising from any default, nor any subsequent acceptance of rent then or thereafter accrued shall impair any such right, power, privilege, or option or be construed as a waiver of or acquiescence in such default or as a relinquishment of any right. No notice to Lessee shall be required to restore or revive "time of the essence" after the waiver by County of any default. Except as specifically provided in this Lease, no option, right, power, remedy, or privilege of either party shall be construed as being exhausted by the exercise thereof in one or more instances.

15.7 Remedies Cumulative. The rights, powers, options, and remedies given County by this agreement shall be cumulative except as otherwise specifically provided for in this Lease.

15.8 Authorized Right of Entry. In any and all cases in which provision is made herein for termination of this Lease, or for exercise by County of right of entry or re-entry upon the Premises in the case of an Event of Default, or in case of abandonment or vacation of the Premises by Lessee, Lessee hereby irrevocably authorizes County to enter upon the Premises and remove any and all persons and property whatsoever situated upon the Premises and place all or any portion of said property, except such property as may be forfeited to County, in storage for the account of and at the expense of Lessee.

Except to the extent arising out of or caused by the gross negligence or willful misconduct of County, Lessee agrees to indemnify, defend and save harmless County from any cost, expense, loss or damage arising out of or caused by any such entry or re-entry upon the

Premises in the case of an Event of Default, including the removal of persons and property and storage of such property by County and its agents.

15.9 Place of Payment and Filing. All rentals shall be paid to and all statements and reports herein required and other items deliverable to County hereunder shall be filed with or delivered to the Department. Checks, drafts, letters of credit and money orders shall be made payable to the County of Los Angeles.

15.10 Service of Written Notice or Process. Any notice required to be sent under this Lease shall be in compliance with and subject to this Section 15.10. If Lessee is not a resident of the State of California, or is an association or partnership without a member or partner resident of said State, or is a foreign corporation, Lessee shall file with Director a designation of a natural person residing in the County of Los Angeles, State of California, or a service company, such as CT Corporation, which is authorized to accept service, giving his or its name, residence, and business address, as the agent of Lessee for the service of process in any court action between Lessee and County, arising out of or based upon this Lease, and the delivery to such agent of written notice or a copy of any process in such action shall constitute a valid service upon Lessee.

If for any reason service of such process upon such agent is not possible, then any officer of Lessee may be personally served with such process outside of the State of California and such service shall constitute valid service upon Lessee; and it is further expressly agreed that Lessee is amenable to such process and submits to the jurisdiction of the court so acquired and waives any and all objection and protest thereto.

Written notice addressed to Lessee at the addresses below-described, or to such other address that Lessee may in writing file with Director, shall be deemed sufficient if said notice is delivered personally, by telecopy or facsimile transmission or, provided in all cases there is a return receipt requested (or other similar evidence of delivery by overnight delivery service) and postage or other delivery charges prepaid, by registered or certified mail posted in the County of Los Angeles, California, Federal Express or DHL, or such other services as Lessee and County may mutually agree upon from time to time. Each notice shall be deemed received and the time period for which a response to any such notice must be given or any action taken with respect thereto (including cure of any prospective Event of Default) shall commence to run from the date of actual receipt of the notice by the addressee thereof in the case of personal delivery, telecopy or facsimile transmission if before 5:00 p.m. on regular business days, or upon the expiration of the third (3rd) business day after such notice is sent from within Los Angeles County in the case of such registered or certified mail as authorized in this Section.

Copies of any written notice to Lessee shall also be simultaneously mailed to any Encumbrance Holder, Major Sublessee or encumbrancer of such Major Sublessee of which County has been given written notice and an address for service. Notice given to Lessee as provided for herein shall be effective as to Lessee notwithstanding the failure to send a copy to such Encumbrance Holder, Major Sublessee or encumbrancer.

As of the date of execution hereof, the persons authorized to receive notice on behalf of County and Lessee are as follows:

COUNTY: Director
Department of Beaches and Harbors
Los Angeles County
13837 Fiji Way
Marina del Rey, California 90292
Phone: 310/305-9522
Fax: 310/821-6345

With a Copy to: Office of County Counsel
Los Angeles County
500 West Temple Street
Los Angeles, California 90012
Attn: County Counsel
Phone: 213/974-1801
Fax: 213/617-7182

LESSEE: Legacy Partners Neptune Marina L.P.
30 Executive Park, Suite 100
Irvine, California 92614
Attention: Dennis Cavallari
Phone: 949/930-6600
Fax: 949/833-3062

With a Copy to: Cox, Castle & Nicholson LLP
2049 Century Park East
28th Floor
Los Angeles, California 90067
Attention: Ira J. Waldman, Esq.
Phone: 310/277-4222
Fax: 310/277-7889

Either party shall have the right to change its notice address by written notice to the other party of such change in accordance with the provisions of this Section 15.10.

15.11 Interest. In any situation where County has advanced sums on behalf of Lessee pursuant to this Lease, such sums shall be due and payable within five (5) days after Lessee's receipt of written demand, together with interest at the Applicable Rate (unless another rate is specifically provided herein) from the date such sums were first advanced, until the time payment is received. In the event that Lessee repays sums advanced by County on Lessee's behalf with interest in excess of the maximum rate permitted by Applicable Laws, County shall either refund such excess payment or credit it against subsequent installments of Annual Minimum Rent and Percentage Rent.

15.12 Captions. The captions contained in this Lease are for informational purposes only, and are not to be used to interpret or explain the particular provisions of this Lease.

15.13 Attorneys' Fees. In the event of any action, proceeding or arbitration arising out of or in connection with this Lease, whether or not pursued to judgment, the prevailing party shall be entitled, in addition to all other relief, to recover its costs and reasonable attorneys' fees, including without limitation reasonable attorneys' fees for County Counsel's services where County is represented by the County Counsel and is the prevailing party, and also including all fees, costs and expenses incurred in executing, perfecting, enforcing and collecting any judgment.

15.14 Amendments. This Lease may only be amended in writing executed by duly authorized officials of Lessee and County. Notwithstanding the foregoing, Director shall have the power to execute such amendments to this Lease as are necessary to implement any arbitration judgment issued pursuant to this Lease. No amendment, other than one implemented through an arbitration judgment, shall be binding upon an Encumbrance Holder as to which County has been notified in writing, unless the consent of such Encumbrance Holder is obtained with respect to such amendment.

15.15 Time For Director Approvals. Except where a different time period is specifically provided for in this Lease, whenever in this Lease the approval of Director is required, approval shall be deemed not given unless within thirty (30) days after the date of the receipt of the written request for approval from Lessee, Director either (a) approves such request in writing, or (b) notifies Lessee that it is not reasonably possible to complete such review within the thirty (30)-day period, provides a final date for approval or disapproval by Director (the "Extended Time") and approves such request in writing prior to such Extended Time. If Director does not approve such request in writing within such Extended Time, the request shall be deemed to be disapproved.

15.16 Time For County Action. Notwithstanding anything to the contrary contained in this Lease, wherever Director determines that a County action required hereunder necessitates approval from or a vote of one or more of County's boards or commissions or County's Board of Supervisors, the time period for County performance of such action shall be extended as is reasonably necessary in order to secure such approval or vote, and County shall not be deemed to be in default hereunder in the event that it fails to perform such action within the time periods otherwise set forth herein.

15.17 Estoppel Certificates. Each party agrees to execute, within ten (10) business days after the receipt of a written request therefor from the other party, a certificate stating: (i) that this Lease is in full force and effect and is unmodified (or stating otherwise, if true); (ii) that, to the best knowledge of such party, the other party is not then in default under the terms of this Lease (or stating the grounds for default if such be the case); and (iii) if requested, the amount of the Security Deposit, Annual Minimum Rent, Percentage Rent and other material economic terms and conditions of this Lease. Prospective purchasers, Major Sublessees and lenders may rely on such statements.

15.18 Indemnity Obligations. Whenever in this Lease there is an obligation to indemnify, hold harmless and/or defend, irrespective of whether or not the obligation so specifies, it shall include the obligation to defend and pay reasonable attorney's fees, reasonable expert fees and court costs.

15.19 Waterfront Promenade. Lessee shall develop a continuous pedestrian walkway with landscaping, lighting, seating, fencing and other improvements (the "Promenade") as described in Exhibit D. Lessee shall complete the foregoing work by the Required Construction Completion Date (as such date may be extended as provided in Article 5 above), subject to extension for delays in such completion of the Promenade caused by Force Majeure. No Force Majeure delay shall commence until after Lessee has notified County of the existence of such Force Majeure event. Lessee and Director shall discuss and attempt to agree on the length of any such delay. If they are unable to agree within thirty (30) days after the event or occurrence giving rise to Lessee's claim to such delay, the matter shall be arbitrated as set forth in Article 16. The facilities to be constructed under this Section 15.19 shall be constructed in accordance with the provisions of Article 5. County hereby reserves a public easement for access over and use of the Promenade for fire lane uses, pedestrian purposes and such other related uses (including, if approved by County bicycling, rollerblading and the like) as may be established by the County from time to time, all in accordance with such rules and regulations as are promulgated from time to time by the County regulating such public use. Such public easement shall also include the right to use at least one set of the restrooms marked on Exhibit D for public use. Lessee shall be responsible for the maintenance and repair of the Promenade in accordance with commercially reasonable maintenance and repair standards for the Promenade established by the County from time to time on a nondiscriminatory basis. The exact legal description of the Premises encumbered by the public easement reserved herein shall be established based upon the final as-built drawings for the Promenade to be delivered by Lessee upon the completion thereof in accordance with the terms and provisions of Article 5 of this Lease. At the request of either party such legal description shall be recorded in the Official Records of the County as a supplement to this Lease.

15.20 Management of Anchorage Facilities/Dockmaster. During the Term of the Lease, Lessee shall maintain a dockmaster program, and engage an experienced, professional marina management firm, reasonably acceptable to the Director for the day to day management and operation of the Anchorage Facilities. After Director's approval of such management firm, Lessee shall not have the right to change the management firm without first obtaining the prior approval of Director, which approval shall not be unreasonably withheld. If during the Term in the reasonable judgment of the Director the then current management firm is performing in an unsatisfactory manner, then at the request of the Director Lessee shall replace such management firm with a new management firm reasonably acceptable to the Director. If during the Term the then current management firm terminates its contract, then Lessee shall have the right to replace such management firm with another management firm approved by Director, which approval shall not be unreasonably withheld.

15.21 Seaworthy Vessels. On or before January 1, April 1, July 1 and October 1 of each year during the Term, Lessee shall deliver to Director a report which contains the following information with respect to every vessel (including floating homes as defined in Title 19 of the Los Angeles County Code) moored within the Premises: (i) the name, address and telephone number of the registered owner (and slip tenant, if other than the registered owner) for each vessel; (ii) the state registration or federal document number, and name (if any), of the vessel; (iii) whether the vessel is a power vessel, sailing vessel or floating home; and (iv) the slip number and length of the vessel, and whether the vessel is presently authorized by Lessee for liveaboard tenancy. In addition, Lessee shall require, and shall certify annually to Director, that

as a condition of slip rental and continued slip tenancy, all new slip tenanted vessels from and after the immediately preceding certification (or in the case of the initial certification, from and after the Effective Date) have been required to pass seaworthiness inspection by the Harbor Patrol within sixty (60) days of such slip rental. Henceforth, all of Lessee's slip leases shall provide that any newly tenanted vessel which is unable to pass such inspection within the required period, or such reasonable extension thereof as may be granted in the Director's sole discretion, shall be ineligible for continued slip tenancy on the leasehold premises and shall be removed therefrom. The requirements of the two preceding sentences shall not be applicable to any vessel which is specifically exempted from seaworthiness requirements by Title 19 of the Los Angeles County Code.

15.22 Controlled Prices. Lessee shall at all times maintain a complete list or schedule of the prices charged for all goods or services, or combinations thereof, supplied to the public on or from the Premises, whether the same are supplied by Lessee or by its Sublessees, assignees, concessionaires, permittees or licensees. Said prices shall be fair and reasonable, based upon the following two (2) considerations: first, that the property herein demised is intended to serve a public use and to provide needed facilities to the public at fair and reasonable cost; and second, that Lessee is entitled to a fair and reasonable return upon his investment pursuant to this Lease. In the event that Director notifies Lessee that any of said prices are not fair and reasonable, Lessee shall have the right to confer with Director and to justify said prices. If, after reasonable conference and consultation, Director shall determine that any of said prices are not fair and reasonable, the same shall be modified by Lessee or its Sublessees, assignees, concessionaires, permittees or licensees, as directed. Lessee may appeal the determination of Director to the Board, whose decision shall be final and conclusive. Pending such appeal, the prices fixed by Director shall be the maximum charged by Lessee.

15.23 Pump-Out Station. Lessee shall make available on the Premises a pump-out station for use of boat pump-out services at a nominal fee.

16. ARBITRATION.

Except as otherwise provided by this Article 16, disputed matters which may be arbitrated pursuant to this Lease shall be settled by binding arbitration in accordance with the then existing provisions of the California Arbitration Act, which as of the date hereof is contained in Title 9 of Part III of the California Code of Civil Procedure, commencing with Section 1280.

(a) Either party (the "Initiating Party") may initiate the arbitration process by sending written notice ("Request for Arbitration") to the other party (the "Responding Party") requesting initiation of the arbitration process and setting forth a brief description of the dispute or disputes to be resolved and the contention(s) of the Initiating Party. Within ten (10) days after service of the Request for Arbitration, the Responding Party shall file a "Response" setting forth the Responding Party's description of the dispute and the contention(s) of Responding Party. If Responding Party has any "Additional Disputes" he shall follow the format described for the Initiating Party. The Initiating Party will respond within ten (10) days after service of the Additional Disputes setting

forth Initiating Party's description of the Additional Disputes and contentions regarding the Additional Disputes.

(b) Notwithstanding anything to the contrary which may now or hereafter be contained in the California Arbitration Act, the parties agree that the following provisions shall apply to any and all arbitration proceedings conducted pursuant to this Lease:

16.1 Selection of Arbitrator. The parties shall attempt to agree upon an arbitrator who shall decide the matter. If, for any reason, the parties are unable to agree upon the arbitrator within ten (10) days of the date the Initiating Party serves a request for arbitration on the Responding Party, then at any time on or after such date either party may petition for the appointment of the arbitrator as provided in California Code of Civil Procedure Section 1281.6.

16.2 Arbitrator. The arbitrator shall be a retired judge of the California Superior Court, Court of Appeal or Supreme Court, or any United States District Court or Court of Appeals located within the State, who has agreed to resolve civil disputes.

16.3 Scope of Arbitration. County and Lessee affirm that the mutual objective of such arbitration is to resolve the dispute as expeditiously as possible. The arbitration process shall not apply or be used to determine issues other than (i) those presented to the arbitrator by the Initiating Party provided those disputes are arbitrable disputes pursuant to this Lease, (ii) Additional Disputes presented to the arbitrator by the Responding Party, provided that any such Additional Disputes constitute arbitrable disputes pursuant to this Lease and (iii) such related preliminary or procedural issues as are necessary to resolve (i) and/or (ii) above. The arbitrator shall render an award. Either party may, at its sole cost and expense, request a statement of decision explaining the arbitrator's reasoning which shall be in such detail as the arbitrator may determine. Unless otherwise expressly agreed by the parties in writing, the award shall be made by the arbitrator no later than the sooner of six (6) months after the date on which the arbitrator is selected by mutual agreement or court order, whichever is applicable, or five (5) months after the date of a denial of a petition to disqualify a potential arbitrator for cause. County and Lessee hereby instruct the arbitrator to take any and all actions deemed reasonably necessary, appropriate or prudent to ensure the issuance of an award within such period. Notwithstanding the foregoing, failure to complete the arbitration process within such period shall not render such arbitration or any determination made therein void or voidable; however, at any time after the expiration of the foregoing five (5) or six (6) month periods, as applicable, either party may deliver written notice to the arbitrator and the other party either terminating the arbitration or declaring such party's intent to terminate the arbitration if the award is not issued within a specified number of days after delivery of such notice. If the arbitrator's award is not issued prior to the expiration of said specified period, the arbitration shall be terminated and the parties shall recommence arbitration proceedings pursuant to this Article 16.

16.4 Immunity. The parties hereto agree that the arbitrator shall have the immunity of a judicial officer from civil liability when acting in the capacity of arbitrator pursuant to this Lease.

16.5 Section 1282.2. The provisions of Code of Civil Procedure § 1282.2 shall apply to the arbitration proceedings except to the extent they are inconsistent with the following:

(1) Unless the parties otherwise agree, the arbitrator shall appoint a time and place for the hearing and shall cause notice thereof to be served as provided in said § 1282.2 not less than ninety (90) days before the hearing, regardless of the aggregate amount in controversy.

(2) No later than sixty (60) days prior to the date set for the hearing (unless, upon a showing of good cause by either party, the arbitrator establishes a different period), in lieu of the exchange and inspection authorized by Code of Civil Procedure § 1282.2(a)(2)(A), (B) and (C), the parties shall simultaneously exchange the following documents by personal delivery to each other and to the arbitrator:

(a) a written Statement of Position, as further defined below, setting forth in detail that party's final position regarding the matter in dispute and specific numerical proposal for resolution of monetary disputes;

(b) a list of witnesses each party intends to call at the hearing, designating which witnesses will be called as expert witnesses and a summary of each witness's testimony;

(c) a list of the documents each intends to introduce at the hearing, together with complete and correct copies of all of such documents; and,

(d) if the issue involves Fair Market Rental Value or a valuation matter, a list of all Written Appraisal Evidence (as defined below) each intends to introduce at the hearing, together with complete and correct copies of all of such Written Appraisal Evidence.

(3) No later than twenty (20) days prior to the date set for the hearing, each party may file a reply to the other party's Statement of Position ("Reply"). The Reply shall contain the following information:

(a) a written statement, to be limited to that party's rebuttal to the matters set forth in the other party's Statement of Position;

(b) a list of witnesses each party intends to call at the hearing to rebut the evidence to be presented by the other party, designating which witnesses will be called as expert witnesses;

(c) a list of the documents each intends to introduce at the hearing to rebut the evidence to be presented by the other party, together with complete and correct copies of all of such documents (unless, upon a showing of good cause by either party, the arbitrator establishes a different deadline for delivering true and correct copies of such documents);

(d) if the issue involves Fair Market Rental Value or a valuation matter, a list of all Written Appraisal Evidence, or written critiques of the other party's Written Appraisal Evidence if any, each intends to introduce at the hearing to rebut the evidence presented by the other party, together with complete and correct copies of all of such

Written Appraisal Evidence (unless, upon a showing of good cause by either party, the arbitrator establishes a different deadline for delivering true and correct copies of such Written Appraisal Evidence); and

(e) Witnesses or documents to be used solely for impeachment of a witness need not be identified or produced.

(4) The arbitrator is not bound by the rules of evidence, but may not consider any evidence not presented at the hearing. The arbitrator may exclude evidence for any reason a court may exclude evidence or as provided in this Lease.

16.6 Statements of Position. The Statement of Position to be delivered by Section 16.5 shall comply with the following requirements:

(1) Where the dispute involves rent to be charged, market values, insurance levels or other monetary amounts, the Statements of Position shall numerically set forth the existing minimum rent, percentage rent, market value, insurance level and/or other monetary amounts in dispute, the party's proposed new minimum rent, percentage rent, market value, insurance level and/or other monetary amounts, and shall additionally set forth the facts supporting such party's position.

(2) If the dispute relates to Improvement Costs, the Statements of Position shall set forth the facts supporting such party's position and the amount of each cost which the party believes should be allowed or disallowed.

16.7 Written Appraisal Evidence. Neither party may, at any time during the proceedings, introduce any written report which expresses an opinion regarding Fair Market Rental Value or the fair market value of the Premises, or any portion thereof, ("Written Appraisal Evidence") unless such Written Appraisal Evidence substantially complies with the following standards: it shall describe the Premises; identify the uses permitted thereon; describe or take into consideration the terms, conditions and restrictions of this Lease; correlate the appraisal method(s) applied; discuss the relevant factors and data considered; review rentals paid by lessees in Marina del Rey and other marina locations within Southern California who are authorized to conduct similar activities on comparable leaseholds; and, describe the technique of analysis, limiting conditions and computations that were used in the formulation of the valuation opinion expressed. With respect to disputes regarding Fair Market Rental Value, such Written Appraisal Evidence shall express an opinion regarding the fair market rental value of the Premises as prescribed by Section 4.3.1. Written Appraisal Evidence in connection with disputes arising out of Article 6 of this Lease shall predicate any valuation conclusions contained therein on the Income Approach. Written Appraisal Evidence shall in all other respects be in material conformity and subject to the requirements of the Code of Professional Ethics and the Standards of Professional Practice of The Appraisal Institute or any successor entity.

16.8 Evidence. The provisions of Code of Civil Procedure § 1282.2(a)(2)(E) shall not apply to the arbitration proceeding. The arbitrator shall have no discretion to allow a party to introduce witnesses, documents or Written Appraisal Evidence (other than impeachment testimony) unless such information was previously delivered to the other party in accordance

with Section 16.5 and, in the case of Written Appraisal Evidence, substantially complies with the requirements of Section 16.7, or such evidence consists of a transcript of a deposition of an expert witness conducted pursuant to Section 16.9. Notwithstanding the foregoing, the arbitrator may allow a party to introduce evidence which, in the exercise of reasonable diligence, could not have been delivered to the other party in accordance with Section 16.5, provided such evidence is otherwise permissible hereunder.

16.9 Discovery. The provisions of Code of Civil Procedure § 1283.05 shall not apply to the arbitration proceedings except to the extent incorporated by other sections of the California Arbitration Act which apply to the arbitration proceedings. There shall be no pre-arbitration discovery except as provided in Section 16.5; provided, however, each party shall have the right, no later than seven (7) days prior to the date first set for the hearing, to conduct a deposition, not to exceed three (3) hours in duration unless the arbitrator otherwise determines that good cause exists to justify a longer period, of any person identified by the other party as an expert witness pursuant to Sections 16.5 (2)(b) or 16.5 (3)(b).

16.10 Awards of Arbitrators.

16.10.1 Monetary Issues. With respect to monetary disputes (including without limitation disputes regarding Percentage Rent, Fair Market Rental Value and the amount of coverage under the policies of insurance required pursuant to Article 9 of this Lease), the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position. The arbitrator shall instead select whichever of the two Statements of Position is the closest to the monetary or numerical amount that the arbitrator determines to be the appropriate determination of the rent, expense, claim, cost, delay, coverage or other matter in dispute and shall render an award consistent with such Statement of Position. For purposes of this Section 16.10, each dispute regarding Annual Minimum Rent, each category of Percentage Rent and the amount of required insurance coverage shall be considered separate disputes (a "Separate Dispute"). While the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position concerning a Separate Dispute, the arbitrator shall have the right, if the arbitrator so chooses, to choose one party's Statement of Position on one or more of the Separate Disputes, while selecting the other party's Statement of Position on the remaining Separate Disputes. For example, if the parties are unable to agree on the Annual Minimum Rent and three Percentage Rent categories to be renegotiated pursuant to Section 4.3 and the amount of liability insurance coverage to be renegotiated pursuant to Section 9.3, then there shall be five Separate Disputes and the arbitrator shall be permitted to select the County's Statement of Position with respect to none, some or all of such five Separate Disputes and select the Lessee's Statement of Position, on the balance, if any, of such five Separate Disputes. Upon the arbitrator's selection of a Statement of Position, pursuant to this Article 16, the Statement of Position so chosen and the award rendered by the arbitrator thereon shall be final and binding upon the parties, absent Gross Error on the part of the arbitrator.

16.10.2 Nonmonetary Issues. With respect to nonmonetary issues and disputes, the arbitrator shall determine the most appropriate resolution of the issue or dispute, taking into account the Statements of Position submitted by the parties, and shall

render an award accordingly. Such award shall be final and binding upon the parties, absent Gross Error on the part of the arbitrator.

16.11 Powers of Arbitrator. In rendering the award, the arbitrator shall have the power to consult or examine experts or authorities not disclosed by a party pursuant to Section 16.5(2) hereof, provided that each party is afforded the right to cross-examine such expert or rebut such authority.

16.12 Costs of Arbitration. Lessee and County shall equally share the expenses and fees of the arbitrator, together with other expenses of arbitration incurred or approved by the arbitrator. Failure of either party to pay its share of expenses and fees constitutes a material breach of such party's obligations hereunder.

16.13 Amendment to Implement Judgment. Within seven (7) days after the issuance of any award by the arbitrator becomes final, the County will draft a proposed amendment to the Lease setting forth the relevant terms of such award. Within seven (7) days after delivery of a copy of the amendment to Lessee, Lessee will sign the amendment (with any revisions to the proposed amendment necessary to accurately reflect the arbitration award) and return the executed copy to the County, which shall thereafter be executed by County as soon as reasonably practicable.

16.14 Impact of Gross Error Allegations. Where either party has charged the arbitrator with Gross Error:

16.14.1 The award shall not be implemented if the party alleging Gross Error obtains a judgment of a court of competent jurisdiction stating that the arbitrator was guilty of Gross Error and vacating the arbitration award ("Disqualification Judgment"). In the event of a Disqualification Judgment, the arbitration process shall begin over immediately in accordance with this Section 16.14, which arbitration shall be conducted (with a different arbitrator) as expeditiously as reasonably possible.

16.14.2 The party alleging Gross Error shall have the burden of proof.

16.14.3 For the purposes of this Section 16.14, the term "Gross Error" shall mean that the arbitration award is subject to vacation pursuant to California Code of Civil Procedure § 1286.2 or any successor provision.

16.15 Notice.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE

COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE ARBITRATION OF DISPUTES PROVISION TO NEUTRAL ARBITRATION.

Initials of Lessee

Initials of County

17. DEFINITION OF TERMS; INTERPRETATION.

17.1 Meanings of Words Not Specifically Defined. Words and phrases contained herein shall be construed according to the context and the approved usage of the English language, but technical words and phrases, and such others as have acquired a peculiar and appropriate meaning by law, or are defined in Section 1.1, are to be construed according to such technical, peculiar, and appropriate meaning or definition.

17.2 Tense; Gender; Number; Person. Words used in this Lease in the present tense include the future as well as the present; words used in the masculine gender include the feminine and neuter and the neuter includes the masculine and feminine; the singular number includes the plural and the plural the singular; the word "person" includes a corporation, partnership, limited liability company or similar entity, as well as a natural person.

17.3 Business Days. For the purposes of this Lease, "business day" shall mean a business day as set forth in Section 9 of the California Civil Code, and shall include "Optional Bank Holidays" as defined in Section 7.1 of the California Civil Code.

17.4 Parties Represented by Consultants, Counsel. Both County and Lessee have entered this Lease following advice from independent financial consultants and legal counsel of their own choosing. This document is the result of combined efforts of both parties and their consultants and attorneys. Thus, any rule of law or construction which provides that ambiguity in a term or provision shall be construed against the drafter shall not apply to this Lease.

17.5 Governing Law. This Lease shall be governed by and interpreted in accordance with the laws of the State of California.

17.6 Reasonableness Standard. Except where a different standard is specifically provided otherwise herein, whenever the consent of County or Lessee is required under this Lease, such consent shall not be unreasonably withheld and whenever this Lease grants County or Lessee the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations, County and Lessee shall act reasonably and in good faith. These provisions shall only apply to County acting in its proprietary capacity.

17.7 Compliance with Code. County and Lessee agree and acknowledge that this Lease satisfies the requirements of Section 25536 of the California Government Code as a result of various provisions contained herein.

17.8 Memorandum of Lease. The parties hereto shall execute and acknowledge a Memorandum of Lease Extension, in recordable form and otherwise satisfactory to the parties hereto, for recording as soon as is practicable on or following the Effective Date.

17.9 Counterparts. This Lease may be executed in counterparts, each of which shall constitute an original and all of which shall collectively constitute one fully-executed document.

17.10 Guest/Water Taxi Docking Slip. Lessee shall make available one (1) docking slip to be reserved for transient boat purposes (the "Transient Slip"). Until such time as otherwise designated by the County, the Transient Slip shall be rented on an hourly or daily basis for guest boat docking purposes. During any future period that a water taxi program is in operation in the Marina, County shall have the right to require that the Transient Slip be made available for water taxi docking purposes. The Transient Slip shall be located at an end-tie or side-tie location reasonably acceptable to County. Lessee shall make the Transient Slip available for the uses described in this Section 17.10 commencing not later than the completion by Lessee of the Anchorage Facilities replacement work described in Section 5.1. Throughout the Term Lessee shall be responsible for ensuring that the Transient Slip (but not the water taxi operator) is in compliance with all Applicable Laws for the uses described in this Section 17.10. The operation of the Transient Slip shall be subject to such security procedures and insurance requirements as are reasonably acceptable to Lessee and County and consistent with those applicable to the operation of the Anchorage Facilities from time to time.

IN WITNESS WHEREOF, County has, by order of its Board of Supervisors, caused this Lease to be subscribed by the Chairman of said Board and attested by the Clerk thereof, and Lessee has executed the same the day and year first hereinabove written.

THE COUNTY OF LOS ANGELES

By: _____
Chair, Board of Supervisors

LEGACY PARTNERS NEPTUNE MARINA L.P.,
a Delaware limited partnership

By: Legacy Partners 2598 L.P., a California
limited partnership, its general partner

By: _____
Name: _____
Its: _____

ATTEST:

SACHI HAMAI, Executive Officer
of the Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

By: _____
Deputy

APPROVED AS TO FORM:

MUNGER, TOLLES & OLSON LLP

By: _____

EXHIBIT A

LEGAL DESCRIPTION OF PREMISES

[To be added]

Subject to the public easement reserved by Lessor in Section 15.19 of this Lease.

EXHIBIT B
DEVELOPMENT PLAN

[To be added]

EXHIBIT C

ASSIGNMENT STANDARDS

These standards are to apply to Proposed Transfers of Lessee's interest in this Lease and/or the Premises and to any Major Sublease. These standards and conditions are not to apply to (a) an assignment for the purpose of securing leasehold financing of the parcel by an encumbrance holder approved by County, (b) the transfer of the leasehold in connection with a foreclosure or transfer in lieu of foreclosure by an approved lender, or (c) the first transfer by that encumbrance holder if it has acquired the leasehold through a foreclosure or a transfer in lieu of foreclosure.

1. The proposed transferee must have a net worth determined to be sufficient in relation to the financial obligations of the lessee under the Lease (equal to at least six (6) times the total Annual Minimum Rent and Percentage Rent due to County for the most recent fiscal). A letter of credit, cash deposit, guarantee from a parent entity or participating individual(s) having sufficient net worth or similar security satisfactory to the County may be substituted for the net worth requirement. If the proposed transferee's net worth is materially less than the transferor's, County may disapprove the assignment or require additional security such as that described in the previous sentence.

2. The proposed assignee must have significant experience in the construction (if contemplated), operation and management of the type(s) of Improvements existing on or to be constructed on the Premises, or provide evidence of contractual arrangements for these services with providers of such services satisfactory to the County. Changes in the providers of such services and changes to the contractual arrangements must be approved by the County. All approvals of the County will not be unreasonably withheld or delayed.

3. The individual or individuals who will acquire Lessee's interest in this Lease or the Premises, or own the entity which will so acquire Lessee's interest, irrespective of the tier at which individual ownership is held, must be of good character and reputation and, in any event, shall have neither a history of, nor a reputation for: (1) discriminatory employment practices which violate any federal, state or local law; or (2) non-compliance with environmental laws, or any other legal requirements or formally adopted ordinances or policies of the County.

4. The price to be paid for the Proposed Transfer shall not result in a financing obligation of the proposed transferee which jeopardizes its ability to meet rental obligations to the County. Market debt service coverage ratios and leasehold financial performance, at the time of the Proposed Transfer, will be used by County in making this analysis.

5. If the proposed transferee is an entity, rather than an individual, the structure of the proposed transferee must be such that (or the assignee must agree that) the County will have reasonable approval rights regarding any future direct or indirect transfers of interests in the entity or the Lease as required under the Lease; provided however, that a transfer of ownership of a publicly held parent corporation of Lessee that is not done primarily as a transfer of this leasehold will not be subject to County approval.

6. The terms of the proposed assignment will not detrimentally affect the efficient operation or management of the leasehold, the Premises or any Improvements thereon.

7. The proposed transferee does not have interests which, when aggregated with all other interests granted by County to such transferee, would violate any policy formally adopted by County restricting the economic concentration of interests granted in the Marina del Rey area, which is uniformly applicable to all Marina del Rey lessees.

8. The transfer otherwise complies with the terms of all ordinances, policies and/or other statements of objectives which are formally adopted by County and/or the County Department of Beaches and Harbors and which are uniformly applicable to persons or entities with rights of occupancy in any portion of Marina del Rey.

EXHIBIT D

DESCRIPTION OF PROMENADE

EXHIBIT E

CONDITIONS TO COASTAL DEVELOPMENT PERMIT

EXHIBIT F

WATER QUALITY MANAGEMENT PROGRAM

EXHIBIT C

PERMITTED CAPITAL EXPENDITURES

The purpose of the Capital Reserve Fund is to provide funds for the cost of additions, replacements, renovations or upgrades of or to the Improvements on the Premises, including building exteriors and major building systems (such as HVAC, mechanical, electrical, plumbing, vertical transportation, security, communications, structural or roof) that significantly increase the capacity, efficiency, useful life or economy of operation of the Improvements or their major systems, after the completion of the Redevelopment Work. Permitted Capital Expenditures shall not include the cost of periodic, recurring or ordinary expenditures, repairs or replacements that keep the buildings or their major systems in an ordinarily efficient operating condition, but that do not significantly add to their value or appreciably prolong their useful life. The Capital Reserve Fund shall not be used to fund any portion of the cost of the Redevelopment Work or the Subsequent Renovation (as defined in Section 5.14 of the Lease). Permitted Capital Expenditures must constitute capital replacements, improvements or equipment under generally accepted accounting principles consistently applied. Permitted Capital Expenditures shall not include costs for any necessary repairs to remedy any broken or damaged Improvements, all of which costs shall be separately funded by Lessee.

Subject to the foregoing, set forth below is a list of examples of elements, systems or categories of Improvements for which Permitted Capital Expenditures may be made. The Capital Reserve Fund shall not be used for the repair or replacement of an individual or a selected group of individual items, unless such repair or replacement is part of a larger plan (which may be a phased plan) of repair or replacement of all, or substantially all, similar items.

1. Painting of the building exterior*
2. Walkways and driveway replacement* (if asphalt, a minimum of resurfacing, not slurry seal)
3. Windows replacement*
4. Roof replacement* (may be on a building by building basis)
5. Elevators (replacement or addition)
6. HVAC replacement
7. Light fixtures replacement* (interior and exterior)
8. Irrigation system* (replacement or major addition)

* To qualify, these expenditures need to incorporate replacement or renovation of at least 70% of the items or facilities in question



To enrich lives through effective and caring service



January 17, 2008

Stan Wisniewski
Director

Kerry Silverstrom
Chief Deputy

TO: Small Craft Harbor Commission

FROM: Stan Wisniewski, Director

SUBJECT: ITEM 5a – APPROVAL OF OPTION TO AMEND LEASE AGREEMENT AND LEASE OPTION AGREEMENT TO FACILITATE REDEVELOPMENT – PARCEL 10R (NEPTUNE MARINA APARTMENTS) AND PARCEL FF (PARKING LOT 12) - MARINA DEL REY

Item 5a on your agenda pertains to options to extend the lease for Parcel 10R (Neptune Marina Apartments) and to lease Parcel FF (Parking Lot 12), in order to facilitate development of a new 161-slip and seven end-tie marina, 526 apartment units and parking for 1,194 cars on these parcels.

Attached is a copy of the Board letter that explains the details of the proposed transaction. The exhibits to the Board letter include a copy of the proposed Option to Amend Lease Agreement for Parcel 10R and a copy of the proposed Amended and Restated Lease Agreement, as well as a copy of the proposed Lease Option Agreement for Parcel FF and a copy of the proposed Lease Agreement.

With respect to the apartments, the redevelopment plan will require a Local Coastal Program (LCP) amendment, allowing for the transfer of apartment entitlements across development zones and for apartments to be constructed on Parcel FF, with replacement of the Parcel FF open space designation at Parcel 9U. The anchorage plan also has a change in the slip mix and a reduction in the number of slips from 184 to 161. While we recognize that the California Coastal Commission (CCC) at its last meeting included recommendations as part of its LCP periodic review to oppose any reduction in the number of slips sized under 34 feet and to have a comprehensive LCP amendment presented rather than individual project-by-project LCP amendments, we are recommending approval of the option and lease extension agreement for Parcel 10 in order to conclude the proprietary phase of the development and allow the project to proceed to the regulatory phase, at which time the regulatory agencies including the CCC will evaluate the project on its merits.

Your Commission's endorsement of the Chief Executive Officer's recommendation to the Board of Supervisors as contained in the attached letter is requested.

SW:ks

Attachment

February 5, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**DEPARTMENT OF BEACHES AND HARBORS: APPROVAL OF OPTION TO
AMEND LEASE AGREEMENT AND LEASE OPTION AGREEMENT TO FACILITATE
REDEVELOPMENT – NEPTUNE MARINA APARTMENTS (Parcel 10R at 14100
Marquesas Way) AND PUBLIC PARKING LOT 12 (Parcel FF) - MARINA DEL REY
(4th DISTRICT)
(4 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that approval of the recommended actions is categorically exempt under the California Environmental Quality Act pursuant to classes 1(r) and 4(j) of the County's Environmental Document Reporting Procedures and Guidelines.
2. Approve and authorize the Chair of the Board to sign the Option to Amend Lease Agreement, attached as Exhibit A, granting to the current lessee, Legacy Partners Neptune Marina L.P., a Delaware limited partnership, upon fulfillment of stated conditions, the right to extend the term of its existing ground lease on Parcel 10R by 39 years.
3. Approve and authorize the Chair of the Board to sign the Lease Option Agreement attached as Exhibit B, granting to Legacy Partners Neptune Marina L.P., a Delaware limited partnership, upon fulfillment of stated conditions, the right to lease Parcel FF for a term coterminus to the extended lease for Parcel 10R.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Your Board previously approved a negotiated deal in Closed Session to facilitate the redevelopment of Parcel 10R, currently improved with apartments and an anchorage, and development of Parcel FF, currently a County public parking lot. Subsequent to that approval, the development plan was initially delayed due to the presence of wetlands on County Parcel 9U that affected the lessee's obligation to construct a park on that parcel (as a replacement for the use designation on Parcel FF of "Open Space")

and then, more recently, changes to the County affordable housing policy. The new development plan was also changed so that in addition to being obligated to pay not less than ½ of the cost to design and construct a wetland park on Parcel 9U as a condition of building on Parcel FF, Legacy Partners Neptune Marina L.P. ("Lessee"), both the existing lessee for Parcel 10R and the proposed lessee for Parcel FF, must also construct new public docks for the County at the end of Basin B and pay for constructing 103 replacement public parking spaces in a parking structure proposed for the expanded Chace Park. Instead of paying an in-lieu fee for its affordable housing obligation as previously agreed upon, Lessee will provide a total of 62 affordable housing units (20 low-income and 42 moderate-income units) on-site on both parcels.

The Parcel 10R Amended and Restated Lease provides for a 39-year lease extension and the new coterminus Lease for Parcel FF provides for a 53-year lease, both with termination dates of February 28, 2061; payment of a \$1,000,000 lease extension fee for the extended lease at Parcel 10R; the demolition of all existing structures at both parcels, including the existing 136 apartments and 184-slip and seven end-tie anchorage at Parcel 10R; construction of 400 new apartments in three four-story buildings over two levels of parking and a new 161-slip and seven end-tie (plus one transient/water taxi slip) anchorage on Parcel 10R and construction of 126 new apartments in one four-story building over two levels of parking on Parcel FF; replacement of the docks on Parcel 10R a second time not later than 45 years from the effective date of the lease extension; payment of not less than ½ of the cost of constructing a wetland park on Parcel 9U and construction of new public docks for the County at the end of Basin B that can accommodate vessels ranging from dinghies to boats up to 60 feet, unless the Parcel FF option is not exercised; provision of 1,194 parking spaces in structured and surface parking on-site at both parcels and payment by Lessee of the cost to develop 103 replacement public parking spaces off-site; establishment of reserves for capital improvements equal to 1.0% of the gross revenues derived from each leasehold, excluding anchorage income at Parcel 10R; establishment of Renovation Funds equal to 1.0% of the gross revenues derived from each leasehold (excluding anchorage income at Parcel 10R) that must be fully expended to physically reposition each project to then current market requirements within a four-year period beginning two years prior to each of the 20th and 40th anniversaries of exercise of the lease options; establishment of new minimum and percentage rents; County participation in leasehold sale and/or refinance; revised arbitration procedures; County right to recapture the leaseholds if the Lessee pursues their sale; establishment of sinking funds to remove leasehold improvements at each parcel at lease termination; liquidated damages of \$100 per day (adjusted for inflation) for each cited maintenance deficiency at each parcel that remains uncured after the specified cure period; and other miscellaneous improvements to the leases (e.g., payment of late fees and interest on overdue County payments and enhanced audit and record-keeping standards). Once

the Lessee has obtained all necessary project entitlements and has fulfilled the other requirements entitling it to exercise an option, we will return to your Board for authority to execute the relevant lease (the Amended and Restated Lease for Parcel 10R or the new Lease for Parcel FF) in substantially the form attached.

The Department of Beaches and Harbors ("Department") has obtained an appraisal that confirms the returns to the County from the lease extension for Parcel 10R and new lease for Parcel FF are equivalent to, or greater than, fair market value.

Implementation of Strategic Plan Goals

In furtherance of County Goals #1 and #4, "Service Excellence" and "Fiscal Responsibility", respectively, the recommended action will allow the Department to implement that portion of its Strategic Plan that enhances strategic partnerships with existing and prospective lessees through proactive implementation of the Marina del Rey Asset Management Strategy toward enhancing public access to and enjoyment of the Marina through property redevelopment and modernized lease provisions.

The following chart details the proposed terms of the 39-year lease extension for Parcel 10R and of the coterminus lease for Parcel FF as they relate to your Board's existing lease extension policy:

BOARD POLICY ITEM	TERMS
DEVELOPMENT Development of new improvements	<ul style="list-style-type: none">• Demolition of existing 136 apartments and parking lot on Parcels 10R and FF, respectively, and construction of 526 new apartments; demolition of existing 184 slips and seven end-ties and construction of 161 new slips and seven end-ties plus one transient/water taxi slip on Parcel 10R. Parcel 10R improvements to be completed within 30 months. Parcel FF improvements to be completed by not later than the latter of 12 months following completion date for Parcel 10R improvements or 22 months after exercise of Parcel FF option. All anchorage facilities at Parcel 10R to be replaced again not later than the 45th anniversary of the effective date of lease extension. If the Parcel FF option is exercised, construction of new public docks for the County at the end of Basin B and payment of not less than ½ of the cost of building a wetland park on Parcel 9U.• In conformance with the proposed new affordable housing policy, the lessee will provide on-site at both parcels a total of 20 low-income units and 42 moderate-income units.• Total development cost of not less than \$162,000,000 for both parcels.

BOARD POLICY ITEM	TERMS
DEVELOPMENT Development of new improvements (continued)	<ul style="list-style-type: none"> • Lessee responsible for providing all required parking for the project in conformance with applicable regulatory requirements and, if the Parcel FF option is exercised, payment for the cost of relocating 103 of the 206 Parcel FF public parking spaces as described in the Marina del Rey Local Coastal Program (LCP). • A Capital Reserve Fund shall be accrued as a lease obligation of each lease in amount equal to 1% of annual gross income (excluding anchorage income at Parcel 10R) beginning in the 11th year after the effective date of the lease extension amendment and new lease agreement to cover Permitted Capital Expenditures. • A Renovation Fund shall be accrued as a lease obligation of each lease in an amount equal to 1% of yearly gross income (excluding anchorage income at Parcel 10R) beginning in the 11th year after the effective date of the lease extension amendment for Parcel 10R and of the new lease agreement for Parcel FF to cover replacement/upgrades of the common areas and updates to the exterior of the facility, but not to be used for anchorage facilities at Parcel 10R. All amounts so accrued shall be fully expended pursuant to a Renovation Plan approved by the Department Director ("Director") within a four-year period beginning two years prior to each of the 20th and 40th anniversaries of exercise of the lease options, after which further accruals to the Renovation Fund will no longer be required. In lieu of the Renovation Fund accrual, Lessee may elect to complete arrangements, to the satisfaction of the Director, for either a bonding mechanism or letter of credit, in the same amounts and timing, to be available as the Renovation Fund.
EXTENSION/LEASE TERM	<ul style="list-style-type: none"> • Option to extend lease on Parcel 10R by 39 years, from 2/28/2022 to 2/28/2061, and a new lease on Parcel FF coterminus with the term of Parcel 10R lease. • Option fee of \$100,000 for each option, payable immediately upon Board approval of each option. The option fee payments are non-refundable. Only the option fee payment for Parcel 10R is applicable to the Parcel 10R extension fee.
EXTENSION FEE Fee equal to or commensurate with value of the extension	<ul style="list-style-type: none"> • Extension fee of \$1 million for Parcel 10R, with the Parcel 10R \$100,000 option fee to be applied against it; balance to be paid over a period of ten years after exercise of Parcel 10R option in equal installments of principal plus interest at prime rate.

BOARD POLICY ITEM	TERMS
MARKET RATE RENTS Ensure fair market rents	<ul style="list-style-type: none"> • Minimum annual rent for Parcel 10R for the five-year period following exercise of option equal to minimum annual rent prior to exercise of option. Minimum annual rent for Parcel FF for the five-year period following exercise of option equal to pro rata amount (126/400) of minimum annual rent for land portion of Parcel 10R prior to exercise of option. • Minimum annual rent in year six following exercise of option equal to 75% of total County rent for year five, and reset every third year thereafter at 75% of prior three years' average annual rent. • Percentage rents: Apartments: 10.5% of gross receipts. Slips: 25% of gross receipts. • Annual rent will be the greater of percentage rent or minimum rent. • Renegotiation of minimum rent and fair market percentage rental 20 years from execution of lease extension and new lease agreement and every ten years thereafter. • Affordable housing rent credit of \$19.5 million, plus interest on unapplied amount at 3.125% per annum from stabilization date for up to ten years, can be applied to the lease extension fee and to all rents in excess of \$500,000 per year until fully amortized.
PARTICIPATION IN SALE AND REFINANCE Secure County participation in sale and refinance of leasehold	<ul style="list-style-type: none"> • Sale Participation: Sale #1 or #2 exempt if sale occurs during the first 12 years after issuance of the initial Certificate of Occupancy; 1.0% of gross proceeds for any third or subsequent sale during first 12 years or for any sale occurring during years 13 through 25; the greater of 2.0% of gross proceeds or 20.0% of net proceeds for any sale thereafter. • Refinance Participation: Refinance #1 or #2 exempt if refinance occurs during the first 12 years after issuance of the initial Certificate of Occupancy; 20% of net proceeds not reinvested in leasehold improvements for any third or subsequent refinance during first 12 years or for any refinance thereafter.
COUNTY ADMIN. COSTS Ensure payment for County costs for lease extension	<ul style="list-style-type: none"> • Lessee agrees to reimburse County for costs associated with lease negotiations and option and lease preparation, including all appraisal and consultant legal costs.
COUNTY INCOME CONTINUITY Ensure County revenue flow during development	<ul style="list-style-type: none"> • Pay current apartment minimum rent during construction period. Minimum rent and all market percentage rents as set forth in "Market Rate Rents" section above payable thereafter.

BOARD POLICY ITEM	TERMS
RIGHT TO RECAPTURE	<ul style="list-style-type: none"> County has right to recapture the leaseholds if sale is proposed during the last 40 years of lease terms of each of Parcels 10R and FF.
ARBITRATION	<ul style="list-style-type: none"> Arbitration will use rent-a-judge procedure. "Baseball" type arbitration provision.
LEASE ASSIGNMENT - DISCLOSURE ISSUES	<ul style="list-style-type: none"> Lease assignment and ownership disclosure requirements in accord with standard County policy.
DOCKMASTER	<ul style="list-style-type: none"> Lessee to maintain a full-time Dockmaster to manage anchorage at Parcel 10R.
PROMENADE	<ul style="list-style-type: none"> Lessee to construct promenade in compliance with LCP and subject to County's reasonable approval of plans.
APPRAISAL	<ul style="list-style-type: none"> The Department has obtained an independent appraisal confirming the return to the County from the lease extension and new lease is equivalent to, or greater than, fair market value.
ENTITLEMENTS: SITE COVERAGE, HEIGHT & LAND USES	<ul style="list-style-type: none"> Lessee must obtain all regulatory approvals within 24 months of grant of option by Board of Supervisors. If Lessee is unable to obtain all of the necessary approvals within the 24-month requirement, the Director may grant extensions totaling up to 12 months if Lessee can demonstrate it has diligently pursued those approvals. If Lessee obtains its approvals within the 24-month (or 36-month) period, but such approvals are subject to litigation and appeal by a third party, then the option exercise date will be tolled pending resolution of such litigation or appeal; provided, however, that the option exercise date shall in no event be later than four years after the date of the grant of option. Density, site coverage, open space, view corridor, building height, entitlement and land uses are subject to Lessee obtaining all planning and entitlement approvals.

Additional Matters

OTHER TERMS	<ul style="list-style-type: none">a) Seven years prior to expiration of leases, Lessee to structure funding for removal of improvements (at County's election).b) Rental renegotiation and insurance disputes subject to rent-a-judge procedure pursuant to "baseball" type arbitration.c) Maintenance standards for improvements to conform to Marina del Rey standards as revised from time to time.d) Lease administrative items include: a) late fee of 6% plus interest at prime plus 3% for any late payments; b) security deposit equal to three months' minimum rent; c) insurance levels set upon execution of the lease and renegotiated every five years thereafter; d) County approval rights over all construction plans and specifications; and e) enhanced audit and record-keeping standards.e) Liquidated damages of \$100 per day (adjusted for inflation) for each cited maintenance deficiency at each parcel that remains uncured after a specified cure period, to be assessed against the security deposit.
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FISCAL IMPACT/FINANCING

The financial terms are as previously approved with one exception: interest to be paid on the unpaid affordable housing rent credit. Based on there initially being a bona fide misunderstanding, a compromise has been negotiated that the unused rent credit will bear interest at a rate of 3.125% per annum commencing when the project rent reaches stabilization, presently estimated to be in 2013. Consequently, the estimated amount of the rent credit required to offset the economic effect of constructing the affordable housing units on-site increases from \$19.5 million to approximately \$22 million. Upon full amortization of the rent credit, County rents are projected to be \$2.9 million per year, an annual increase of \$2.4 million from these two parcels.

Both the Amended and Restated Lease for Parcel 10R and the new Lease for Parcel FF reflect the County's current market rate percentage rents for all relevant categories. They will produce the following fiscal benefit to the County: 1) an extension fee for Parcel 10R; 2) option fees; and 3) revenue increases due to construction of 526 apartment units on both Parcels 10R and FF and a new 161-slip anchorage with seven end-ties and one transient/water taxi slip on Parcel 10R. Each component is discussed in detail below.

Extension Fee

Lessee will pay an extension fee of \$1,000,000 due on exercise of the option for Parcel 10R, payable as a non-refundable option fee of \$100,000 concurrent with the execution of the option, with the remaining balance of \$900,000 payable in ten equal installments of \$90,000 in principal, plus interest on the unpaid balance at the prime rate.

Option Fee

Lessee shall pay an option fee of \$100,000 for each option, due upon grant of each option by your Board.

Revenue Increase Due to New Construction

The total revenue derived from Parcel 10R during fiscal year 2006-2007 was approximately \$488,000, while the total revenue derived from parking on Parcel FF during fiscal year 2006-2007 was approximately \$21,000. After construction, lease-up and stabilization of these two projects and exhaustion of the rent credit, annual County rent is projected to be approximately \$2.9 million, an annual increase of approximately \$2.4 million.

Costs of consultants and primary County staff involved in the negotiation and development of the options and Amended and Restated Lease are being reimbursed by the Lessee.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The existing 60-year lease for Parcel 10R expires on February 28, 2022. Lessee will have separate option and lease agreements for each parcel, but will not be allowed to exercise the option on Parcel FF unless it either has previously exercised or simultaneously exercises the option on Parcel 10R or it provides adequate assurances of the completion of the redevelopment of Parcel 10R.

Parcel 10R consists of 136 existing apartments and an anchorage with 184 slips and seven end-ties and is located between Esprit I (Parcel 12) and an undeveloped lot (Parcel 9, for which a restored wetland park and high-rise hotel are proposed), with frontage on Via Marina and Marquesas Way. Parcel FF is a public parking lot located between the Bar Harbor Apartments (Parcel 15) and the Villa Del Mar Apartments (Parcel 13), with frontage on Via Marina and Marquesas Way.

The Lessee has made application to the Department of Regional Planning for discretionary land use entitlements, including an LCP amendment allowing apartments on Parcel FF, with replacement of the Parcel FF open space designation at Parcel 9U, and the transfer of additional apartment entitlements from another development zone, as well as authorization for the relocation of the replacement public parking off-site. The application is still under review. Approval of both options is without prejudice to the County's full exercise of its regulatory authority in the consideration of the land use entitlements required for the possible exercise of the options.

Entering into leases of the County's Marina del Rey real property is authorized by Government Code Sections 25907 and 25536. The lease terms are in conformance with the maximum 99-year period authorized by California law.

At its meeting of January 23, 2008, the Small Craft Harbor Commission _____ the recommendations to approve both options and the Amended and Restated Lease for Parcel 10R and the new Lease for Parcel FF in the forms attached. County Counsel has approved the documents as to form.

ENVIRONMENTAL DOCUMENTATION

Approval of the recommended actions is categorically exempt under the California Environmental Quality Act pursuant to classes 1(r) and 4(j) of the County's Environmental Document Reporting Procedures and Guidelines. Approval of the options does not authorize construction or reconstruction of any improvements on the parcels. The discretionary land use entitlements and the corresponding environmental documentation necessary to implement the proposed redevelopment contemplated by both options and the Amended and Restated Lease and new Lease are under review by the Department of Regional Planning.

CONTRACTING PROCESS

The Lessee's proposal for a lease extension and new lease was received in response to the release of the Board-authorized RFP. The Amended and Restated Lease for Parcel 10R and the new Lease for Parcel FF will be available to the Lessee upon the exercise of the options. Upon Lessee's demonstration that it has satisfied the conditions for exercise contained in either of the options and has received all planning, zoning, environmental and other entitlement approvals required to be obtained from governmental authorities for the construction of the development projects associated with that option, we will return to your Board with final confirmation that the conditions and approvals for exercise contained in the option has been satisfied and will at that time request authorization for execution of either the Amended and Restated Lease for

The Honorable Board of Supervisors
February 5, 2008
Page 10

Parcel 10R and the new Lease for Parcel FF, whichever is relevant.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on other current services or projects.

CONCLUSION

Authorize the Executive Officer/Clerk of the Board to send two copies of each of the executed options to the Department of Beaches and Harbors.

Respectfully submitted,

William T Fujioka

SW:SK:GB:gb

Attachments (2)

c: County Counsel

LEASE AGREEMENT

by and between

County of Los Angeles

and

Legacy Partners Neptune Marina L.P.

(Parcel FF — Lease No. ____)

Dated as of _____, ____

TABLE OF CONTENTS

	<u>Page</u>
1. BACKGROUND AND GENERAL	1
1.1 Definitions	1
1.2 Lease.....	9
1.2.1 As-Is.....	9
1.3 Title	10
1.4 Excluded Conditions	10
2. TERM.....	10
2.1 Term	10
2.2 Intentionally Omitted	11
2.3 Intentionally Omitted	11
2.4 Ownership of Improvements During Term	11
2.5 Reversion of Improvements	11
2.5.1 County's Election to Receive Improvements	11
2.5.2 Duty to Remove	11
2.5.3 County's Right to Remove Improvements	12
2.5.4 Duty to Remove Equipment, Etc	13
2.5.5 Title to Certain Improvements Passes to County; Lessee to Maintain	13
3. USE OF PREMISES	13
3.1 Specific Primary Use.....	13
3.2 Prohibited Uses	13
3.2.1 Nuisance	13
3.2.2 Restrictions and Prohibited Uses	14
3.3 Active Public Use.....	15
3.4 Days of Operation	15
3.5 Signs and Awnings.....	15
3.6 Compliance with Regulations	15
3.7 Rules and Regulations	16
3.8 Reservations	16
4. PAYMENTS TO COUNTY	16
4.1 Net Lease.....	16
4.1.1 Utilities	16
4.1.2 Taxes and Assessments.....	16
4.2 Rental Payments	17
4.2.1 Annual Minimum Rent and Monthly Minimum Rent.....	17
4.2.2 Percentage Rent	18
4.2.3 Adjustments to Annual Minimum Rent.....	23
4.3 Renegotiation of Annual Minimum and Percentage Rents.....	24
4.3.1 Fair Market Rental Value	24
4.3.2 Renegotiation Period	24
4.3.3 Negotiation of Fair Market Rental Value	25
4.3.4 Arbitration.....	25
4.3.5 Retroactivity	26

TABLE OF CONTENTS
(continued)

	<u>Page</u>
4.4 Lessee Credit	26
4.5 Payment and Late Fees.....	27
4.6 Changes of Ownership and Financing Events.....	28
4.6.1 Change of Ownership	28
4.6.2 Excluded Transfers	29
4.6.3 Aggregate Transfer	30
4.6.4 Beneficial Residual Interest.....	30
4.7 Calculation and Payment.....	31
4.7.1 Transfer of Less Than Entire Interest	32
4.7.2 Purchase Money Notes	32
4.7.3 Obligation to Pay Net Proceeds Share and Administrative Charge	32
4.8 Net Proceeds Share.....	33
4.8.1 Transaction by Original Lessee	33
4.8.2 Transfer by Lessee's Successor	34
4.8.3 Transfers of Major Sublessee's Interest.....	35
4.8.4 Other Transfers	35
4.8.5 Net Refinancing Proceeds.....	35
4.8.6 Transfers to which Sections 4.6 through 4.8 Apply	36
4.8.7 Payment	36
4.8.8 Shareholder, Partner, Member, Trustee and Beneficiary List	37
5. CONSTRUCTION OF IMPROVEMENTS	37
5.1 Development Work	37
5.1.1 Final Development Work Plans and Specifications	39
5.2 Wetland Park	40
5.3 Plans and Specifics for Alterations	41
5.3.1 Schematics and Narrative	41
5.3.2 Preliminary Plans and Specifications	42
5.3.3 Final Plans and Specifications	43
5.4 Conditions Precedent to the Commencement of Construction	44
5.4.1 Permits and Other Approvals.....	44
5.4.2 Copies of Construction Contracts.....	44
5.4.3 Performance and Payment Bonds.....	44
5.4.4 Alternative Security	45
5.4.5 Evidence of Financing	45
5.4.6 Work Schedule.....	46
5.5 County Cooperation	46
5.6 Delays in Completion of Development Work.....	46
5.7 Extension of Dates	47
5.7.1 Injunction by Third Party, Nonregulatory Body.....	47
5.7.2 Delay Caused by Unreasonable County Acts.....	47
5.7.3 Delay in Obtaining Permits or Approvals	48
5.7.4 Limitation of Extensions.....	49
5.7.5 Obligation to Pay Rent.....	49

TABLE OF CONTENTS
(continued)

	<u>Page</u>
5.8 Manner of Construction	49
5.8.1 General Construction Standards	49
5.8.2 Utility Work	50
5.8.3 Construction Safeguards	50
5.8.4 Compliance with Construction Documents and Laws; Issuance of Permits	50
5.8.5 Notice to Director; Damage to County Improvements	50
5.8.6 Rights of Access	50
5.8.7 Notice of Completion	51
5.8.8 Final Completion Certificate	51
5.9 Use of Plans	51
5.10 Where Director Approval Not Required	51
5.11 County's Inducement	52
5.12 Protection of County	52
5.12.1 Posting Notices	52
5.12.2 Prompt Payment	52
5.12.3 Liens; Indemnity	52
5.13 Renovation Fund/Subsequent Renovations	53
5.14 Capital Reserve Fund	55
5.15 Parking Contribution Reconciliation	56
 6. CONDEMNATION	 57
6.1 Definitions	57
6.1.1 Condemnation	57
6.1.2 Date of Taking	57
6.1.3 Award	57
6.1.4 Condemnor	57
6.2 Parties' Rights and Obligations to be Governed by Lease	57
6.3 Total Taking	57
6.4 Effect of Partial Taking	58
6.5 Effect of Partial Taking on Rent	58
6.6 Waiver of Code of Civil Procedure Section 1265.130	58
6.7 Payment of Award	59
6.7.1 Partial Taking Without Termination	59
6.7.2 Taking For Temporary Use	59
6.7.3 Total Taking and Partial Taking with Termination	59
6.7.4 Disputes	60
 7. SECURITY DEPOSIT	 60
7.1 Amount and Use	60
7.2 Replacement	61
7.3 Renewal	61
 8. INDEMNITY	 61

TABLE OF CONTENTS
(continued)

	<u>Page</u>
9. INSURANCE.....	62
9.1 Lessee's Insurance.....	62
9.2 Provisions Pertaining to Property Insurance	65
9.3 General Insurance Requirements	65
9.4 Additional Required Provisions	65
9.5 Failure to Procure Insurance	66
9.6 Adjustment to Amount of Liability Coverage.....	66
9.7 Notification of Incidents, Claims or Suits.....	67
10. MAINTENANCE AND REPAIR; DAMAGE AND DESTRUCTION.....	67
10.1 Lessee's Maintenance and Repair Obligations	67
10.4 Deficiency Notices	68
10.5 Option to Terminate for Uninsured Casualty	69
10.6 No Option to Terminate for Insured Casualty.....	70
10.7 No County Obligation to Make Repairs.....	70
10.8 Repairs Not Performed by Lessee	70
10.9 Other Repairs.....	70
10.10 Notice of Damage.....	71
10.11 Waiver of Civil Code Sections.....	71
11. ASSIGNMENT AND SUBLEASE	71
11.1 Subleases	71
11.1.1 Definition.....	71
11.1.2 Approval Required.....	71
11.1.3 Major Sublease	72
11.2 Approval of Assignments and Major Subleases	72
11.2.1 County's Use of Discretion and Limitation on Permissible Assignees	72
11.2.2 Involuntary Transfers Prohibited.....	73
11.2.3 Procedure	73
11.2.4 County Right to Recapture	75
11.2.5 County Credits Toward Purchase Price	76
11.3 Terms Binding Upon Successors, Assigns and Sublessees.....	77
11.4 Family Transfers	77
11.5 Property Management	77
12. ENCUMBRANCES	78
12.1 Financing Events.....	78
12.1.1 Definitions	78
12.1.2 County Approval Required.....	78
12.2 Consent Requirements In The Event of a Foreclosure Transfer	79
12.2.1 Definitions	79
12.2.2 Foreclosure Transfer	79
12.2.3 Subsequent Transfer By Encumbrance Holder.....	79
12.3 Effect of Foreclosure.....	80
12.4 No Subordination	81

TABLE OF CONTENTS
(continued)

	<u>Page</u>
12.5 Modification or Termination of Lease	82
12.6 Notice and Cure Rights of Encumbrance Holders and Major Sublessees	82
12.6.1 Right to Cure.....	82
12.6.2 Notice of Default	82
12.6.3 Manner of Curing Default	83
12.7 New Lease	84
12.7.1 Obligation to Enter Into New Lease	84
12.7.2 Priority of New Lease	85
12.8 Holding of Funds.....	85
12.9 Participation in Certain Proceedings and Decisions	85
12.10 Fee Mortgages and Encumbrances.....	85
12.11 No Merger	85
12.12 Intentionally Omitted	85
13. DEFAULT.....	86
13.1 Events of Default.....	86
13.1.1 Monetary Defaults	86
13.1.2 Maintenance of Security Deposit.....	86
13.1.3 Failure to Perform Other Obligations	86
13.1.4 Nonuse of Premises	86
13.2 Limitation on Events of Default.....	87
13.3 Remedies	87
13.3.1 Terminate Lease.....	87
13.3.2 Keep Lease in Effect.....	87
13.3.3 Termination Following Continuance.....	87
13.4 Damages	88
13.4.1 Unpaid Rent	88
13.4.2 Post-Termination Rent.....	88
13.4.3 Other Amounts.....	88
13.5 Others' Right to Cure Lessee's Default	88
13.6 Default by County	88
14. ACCOUNTING	89
14.1 Maintenance of Records and Accounting Method.....	89
14.2 Cash Registers	89
14.3 Statement; Payment.....	89
14.4 Availability of Records for Inspector's Audit.....	90
14.4.1 Entry by County.....	90
14.5 Cost of Audit	90
14.6 Additional Accounting Methods	90
14.7 Accounting Year	90
14.8 Annual Financial Statements.....	90
14.9 Accounting Obligations of Sublessees	91
14.10 Inadequacy of Records.....	91

TABLE OF CONTENTS
(continued)

	<u>Page</u>
15. MISCELLANEOUS	91
15.1 Quiet Enjoyment	91
15.2 Time is of the Essence.....	91
15.3 County Costs	92
15.4 County Disclosure and Lessee's Waiver.....	92
15.4.1 Disclosures and Waiver	92
15.4.2 Right of Offset	93
15.5 Holding Over.....	93
15.6 Waiver of Conditions or Covenants	93
15.7 Remedies Cumulative	94
15.8 Authorized Right of Entry.....	94
15.9 Place of Payment and Filing	94
15.10 Service of Written Notice or Process	94
15.11 Interest.....	96
15.12 Captions.....	96
15.13 Attorneys' Fees	96
15.14 Amendments	96
15.15 Time For Director Approvals.....	96
15.16 Time For County Action	96
15.17 Estoppel Certificates	97
15.18 Indemnity Obligations.....	97
15.19 Waterfront Promenade	97
15.20 Controlled Prices	97
16. ARBITRATION.....	98
16.1 Selection of Arbitrator.....	98
16.2 Arbitrator	98
16.3 Scope of Arbitration	99
16.4 Immunity	99
16.5 Section 1282.....	99
16.6 Statements of Position.....	100
16.7 Written Appraisal Evidence	101
16.8 Evidence	101
16.9 Discovery	101
16.10 Awards of Arbitrators	102
16.10.1 Monetary Issues	102
16.10.2 Nonmonetary Issues.....	102
16.11 Powers of Arbitrator.....	102
16.12 Costs of Arbitration.....	102
16.13 Amendment to Implement Judgment	103
16.14 Impact of Gross Error Allegations	103
16.15 Notice	103
17. DEFINITION OF TERMS; INTERPRETATION.....	103

TABLE OF CONTENTS
(continued)

	<u>Page</u>
17.1 Meanings of Words Not Specifically Defined	104
17.2 Tense; Gender; Number; Person	104
17.3 Business Days	104
17.4 Parties Represented by Consultants, Counsel	104
17.5 Governing Law	104
17.6 Reasonableness Standard	104
17.7 Compliance with Code	104
17.8 Memorandum of Lease.....	104
17.9 Counterparts	104

LIST OF EXHIBITS

EXHIBIT A	LEGAL DESCRIPTION OF PREMISES	A-1
EXHIBIT B	DEVELOPMENT PLAN.....	B-1
EXHIBIT C	ASSIGNMENT STANDARDS	C-1
EXHIBIT D	DESCRIPTION OF PROMENADE.....	D-1
EXHIBIT E	CONDITIONS TO COASTAL DEVELOPMENT PERMIT	E-1
EXHIBIT F	PERMITTED CAPITAL EXPENDITURES.....	F-1

**LEASE AGREEMENT
PARCEL FF — MARINA DEL REY**

THIS LEASE AGREEMENT ("Lease") is made and entered into as of the _____ day of _____, _____ ("Effective Date"), by and between the COUNTY OF LOS ANGELES ("County"), as lessor, and LEGACY PARTNERS NEPTUNE MARINA L.P., a Delaware limited partnership (together with its permitted successors and assigns, "Lessee"), as lessee.

WITNESSETH

WHEREAS, County owns fee title to certain real property in Marina del Rey commonly known as Parcel FF and more particularly described in Exhibit A attached hereto (the "Premises"); and

WHEREAS, County and Lessee have entered into that certain Lease Option Agreement dated _____, 2008 (the "Option Agreement"), pursuant to which County has granted Lessee an option (the "Option") to lease the Premises from County on the terms and conditions set forth in this Lease; and

WHEREAS, Lessee has exercised the Option in accordance with the terms and provisions of the Option Agreement.

NOW, THEREFORE, in reliance on the foregoing and in consideration of the mutual covenants, agreements and conditions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto and each of them do agree as follows:

1. BACKGROUND AND GENERAL.

1.1 Definitions. The defined terms in this Lease shall have the meanings as follows:

1.1.1 "ACCOUNTING YEAR" shall have the meaning set forth in Section 14.7.

1.1.2 "ACTUAL COST" shall mean (i) the reasonable out-of-pocket costs and expenses incurred by County with respect to a particular activity or procedure, including without limitation, expenditures to third party legal counsel, financial consultants and advisors (including the use of County's environmental consultant), (ii) costs incurred in connection with appraisals, (iii) the reasonable value of services actually provided by County's in-house counsel, and (iv) the reasonable value of services actually provided by County's lead lease negotiator/administrator and any other lease auditors and other County administrative staff below the level of deputy director (the administrative level which is two levels below County department head) required by the lead lease negotiator/administrator for technical expertise or assistance. In those instances in which Lessee is obligated to reimburse County for its Actual Costs incurred in performing obligations required to be performed by Lessee under this Lease which Lessee fails to

perform within the applicable cure period, if any, provided under this Lease, Actual Costs shall also include a reasonable allocation of County overhead and administrative costs to compensate County for performing such obligations on behalf of Lessee.

1.1.3 "ADA" shall have the meaning set forth in Section 1.2.

1.1.4 "ADJUSTMENT DATES" shall have the meaning set forth in subsection 4.2.3.

1.1.5 "ADMINISTRATIVE CHARGE" shall have the meaning set forth in Section 4.6.

1.1.6 "AGGREGATE TRANSFER" shall have the meaning set forth in subsection 4.6.3.

1.1.7 "ANNUAL MINIMUM RENT" shall have the meaning set forth in subsection 4.2.1.

1.1.8 "APPLICABLE LAWS" shall have the meaning set forth in subsection 1.2.1.

1.1.9 "APPLICABLE RATE" shall mean an annually compounded rate of interest equal to the lesser of (a) ten percent (10%) per annum or (b) the Prime Rate, plus three percent (3%) per annum; however, the Applicable Rate shall in no event exceed the maximum rate of interest which may be charged pursuant to Applicable Laws. In the event that the Applicable Rate as determined by the first sentence of this definition exceeds such maximum rate of interest, then the Applicable Rate shall be deemed the maximum rate permissible under Applicable Laws notwithstanding the first sentence of this definition.

1.1.10 "APPROVED APARTMENT LEASE" shall have the meaning set forth in subsection 11.1.2.

1.1.11 "APPROVED GOVERNMENTAL CHANGES" shall have the meaning set forth in Section 6.3.1 of the Option Agreement.

1.1.12 "ASSIGNMENT STANDARDS" shall have the meaning set forth in Section 11.2.

1.1.13 "AUDITOR-CONTROLLER" shall mean the Auditor-Controller of the County of Los Angeles, California.

1.1.14 "AWARD" shall have the meaning set forth in subsection 6.1.3.

1.1.15 "BASE VALUE" shall have the meaning set forth in subsection 4.8.1.1.

- 1.1.16 "BENEFICIAL INTEREST" shall have the meaning set forth in subsection 4.6.4.
- 1.1.17 "BOARD" shall mean the Board of Supervisors for the County of Los Angeles.
- 1.1.18 "BUSINESS DAY" shall have the meaning set forth in Section 17.3.
- 1.1.19 "CALCULATION NOTICE" shall have the meaning set forth in Section 4.7.
- 1.1.20 "CAPITAL RESERVE FUND" shall have the meaning set forth in Section 5.14.
- 1.1.21 "CHANGE OF OWNERSHIP" shall have the meaning set forth in subsection 4.6.1.
- 1.1.22 "CHANGE OF CONTROL" shall have the meaning set forth in subsection 4.6.1.
- 1.1.23 "CITY" shall mean the City of Los Angeles, California.
- 1.1.24 "COMPLETION DATE" shall mean the date of receipt of the first Temporary Certificate of Occupancy or other applicable governmental permit, certificate or approval for the legal occupancy of any apartment building constructed on the Premises as part of the Development Work pursuant to Article 5 of this Lease.
- 1.1.25 "CONDEMNATION" shall have the meaning set forth in subsection 6.1.1.
- 1.1.26 "CONDEMNOR" shall have the meaning set forth in subsection 6.1.4.
- 1.1.27 "CONSUMER PRICE INDEX" shall mean the Consumer Price Index-All Urban Consumers for Los Angeles/Riverside/Orange Counties, as published from time to time by the United States Department of Labor or, in the event such index is no longer published or otherwise available, such replacement index as may be agreed upon by County and Lessee.
- 1.1.28 "COUNTY" shall have the meaning set forth in the first paragraph of this Lease.
- 1.1.29 "COUNTY OPTION" shall have the meaning set forth in subsection 11.2.4.
- 1.1.30 "COUNTY OPTION PRICE" shall have the meaning set forth in subsection 11.2.4.

- 1.1.31 "COUNTY POOL RATE" shall have the meaning set forth in subsection 4.3.5 of this Lease.
- 1.1.32 "DATE OF TAKING" shall have the meaning set forth in subsection 6.1.2.
- 1.1.33 "DEPARTMENT" shall mean the Department of Beaches and Harbors of the County of Los Angeles.
- 1.1.34 "DEVELOPMENT WORK" shall have the meaning set forth in Section 5.1.
- 1.1.35 "DIRECTOR" shall mean the Director of the Department of Beaches and Harbors of the County of Los Angeles or any successor County officer responsible for the administration of this Lease.
- 1.1.36 "DISQUALIFICATION JUDGMENT" shall have the meaning set forth in subsection 16.15.1.
- 1.1.37 "DOCUMENTED TRANSACTION COSTS" shall have the meaning set forth in subsection 4.8.1.2.
- 1.1.38 "EFFECTIVE DATE" shall mean the date set forth in the first preamble paragraph of this Lease.
- 1.1.39 "ENCUMBRANCE" shall have the meaning set forth in subsection 12.1.1.
- 1.1.40 "ENCUMBRANCE HOLDER" shall have the meaning set forth in subsection 12.1.1.
- 1.1.41 "ENR INDEX" shall mean the Engineering News Record (ENR) Construction Cost Index for the Los Angeles Area, or such substitute index as the parties may mutually agree upon if such index is no longer published or otherwise available.
- 1.1.42 "EVENTS OF DEFAULT" shall have the meaning set forth in Section 13.1.
- 1.1.43 "EXCESS PERCENTAGE RENT PAYMENT" shall have the meaning set forth in subsection 4.2.2.4.
- 1.1.44 "EXTENDED TIME" shall have the meaning set forth in Section 15.15.
- 1.1.45 "FAIR MARKET RENTAL VALUE" shall have the meaning set forth in subsection 4.3.1.

- 1.1.46 "FINAL ALTERATION PLANS AND SPECIFICATIONS" shall have the meaning set forth in subsection 5.3.3.
- 1.1.47 "FINAL DEVELOPMENT WORK PLANS AND SPECIFICATIONS" shall have the meaning set forth in subsection 5.1.1.
- 1.1.48 "FINANCING EVENT" shall have the meaning set forth in Section 12.1.
- 1.1.49 "FIRST ADJUSTMENT DATE" shall have the meaning set forth in subsection 4.2.1.
- 1.1.50 "FORCE MAJEURE" shall have the meaning set forth in Section 5.6.
- 1.1.51 "GROSS ERROR" shall have the meaning set forth in subsection 16.15.4.
- 1.1.52 "GROSS TRANSFER PROCEEDS" shall have the meaning set forth in Section 4.8.
- 1.1.53 "GROSS RECEIPTS" shall have the meaning set forth in subsection 4.2.2.3.
- 1.1.54 "IMPROVEMENTS" means all buildings, structures, fixtures, fences, fountains, walls, paving, parking areas, driveways, walkways, plazas, landscaping, permanently affixed utility systems and other improvements now or hereafter located on the Premises.
- 1.1.55 "IMPROVEMENT COSTS" shall have the meaning set forth in subsection 4.8.1.1.
- 1.1.56 "INCOME APPROACH" shall have the meaning set forth in Section 6.5.
- 1.1.57 "INITIATING PARTY" shall have the meaning set forth in the first paragraph of Article 16.
- 1.1.58 "INSTITUTIONAL LENDER" shall have the meaning set forth in subsection 12.1.3.1
- 1.1.59 "INSURANCE RENEGOTIATION DATE" shall have the meaning set forth in Section 9.3.
- 1.1.60 "LATE FEE" shall have the meaning set forth in Section 4.5.
- 1.1.61 "LEASE" shall mean this Lease Agreement.
- 1.1.62 "LEASE YEAR" shall have the meaning set forth in Section 2.1.

1.1.63 "LESSEE" shall have the meaning set forth in the first paragraph of this Lease.

1.1.64 "LESSEE PARKING FACILITY CONSTRUCTION COST SHARE" shall have the meaning set forth in Section 5.15.

1.1.65 "LESSEE SALE PRICE" shall have the meaning set forth in subsection 11.2.4.

1.1.66 "MAJOR SUBLEASE" shall have the meaning set forth in subsection 11.1.1.

1.1.67 "MAJOR SUBLESSEE" shall have the meaning set forth in subsection 11.1.1.

1.1.68 "MINIMUM STANDARDS" shall mean the requirements of Policy Statement No. 25 and the Specifications and Minimum Standards of Architectural Treatment and Construction for Marina del Rey approved in 1989, as modified by County or the Department from time to time in a manner consistent with commercially reasonable standards applicable to other comparable residential apartment project in Marina del Rey (the "Minimum Standards").

1.1.69 "MONTHLY MINIMUM RENT" shall have the meaning set forth in subsection 4.2.1.

1.1.70 "NET AWARDS AND PAYMENTS" shall have the meaning set forth in Section 6.7.

1.1.71 "NET PROCEEDS SHARE" shall have the meaning set forth in Section 4.6.

1.1.72 "NET REFINANCING PROCEEDS" shall have the meaning set forth in subsection 4.8.5.

1.1.73 "NET TRANSFER PROCEEDS" shall have the meanings set forth in subsections 4.8.1 and 4.8.2.

1.1.74 "NOTICE OF COMPLETION" shall have the meaning set forth in subsection 5.8.7.

1.1.75 "OPTION" shall have the meaning set forth in the preamble to this Lease.

1.1.76 "OPTION AGREEMENT" shall have the meaning set forth in the preamble to this Lease.

1.1.77 "PARCEL 10R RESTATED LEASE" shall have the meaning set forth in subsection 4.2.1.